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Guevara: economic visionary behind the guerrilla, Page 5

World News

Iranian boats set alight in Gulf

Three Iranian boats were attacked and left in flames in the Gulf yesterday after they opened fire on US helicopters flying a routine patrol, US Administration officials said. No American casualties were reported.

The incident was the second clash between US and Iranian forces in the Gulf. One official said there were two American helicopters involved and that they were patrolling the Gulf when they were returning fire after being attacked by the Iranian gunboats.

M'Bow ahead

In the second round of voting in the executive board of Unesco, Mr Amadou Mahtar M'Bow stayed ahead in his battle to secure renomination for a third consecutive term as Director-General. Earlier report, Page 3

Soviet warning

Anatoly Dobrynin, chief foreign policy adviser to Soviet leader Mikhail Gorbachev, said Britain and France risked isolation if they did not join the superpowers in scrapping nuclear weapons.

Embassy move

The US Senate voted to require President Reagan to scrap a 1969 US-Soviet pact on new embassies in each other's capitals and begin talks with Moscow to move its new complex in Washington to a different site.

Indian crackdown

Indian peacekeeping troops with orders to shoot armed guerrillas arrested 50 Tamil rebels in a crack-down to restore Sri Lanka's cease-fire after guerrillas massacred nearly 180 people. Page 28

Lima bomb

Suspected leftist rebels bombed the US consulate in Lima, shattering its glass facade and the windows of nearby buildings but causing no injuries.

Strike outlawed

The Canadian Government introduced legislation in Parliament to end an eight-day-old postal strike as the walkout spread to major cities.

Wise men

The EC named 'three wise men' as troubleshooters to help decide where jobs would have to be cut in Europe's ailing steel industry.

Bonn crisis

West German Chancellor Helmut Kohl faced a growing political crisis after his Christian Democratic Union party said a former CDU state premier, Uwe Barschel, had lied over his role in a dirty tricks campaign.

Spycatcher on the air

Swedish national radio said that from October 13 it would broadcast to Britain and other countries readings from Spycatcher, the memoirs of the former British secret service officer, Peter Wright.

Walkout at UN

The US delegation walked out on a speech to the General Assembly by Nicaraguan President Daniel Ortega when he sharply attacked Washington's policy towards his country.

India-Pakistan clash

India said Pakistani troops attacked Indian positions on the strategic Siachen glacier for the second time in two weeks but were again repulsed.

VW workers protest

Nearly 30,000 workers demonstrated outside the headquarters of Volkswagen in protest at government plans to sell its stake in the car manufacturer to private investors.

Tunis hangings

Two *Islamic fundamentalists* were hanged in Tunisia for plotting to overthrow the state with Iranian help, the Justice Ministry said. Page 4

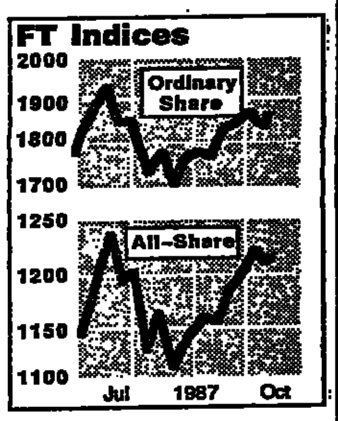
Business Summary

Sir Jack Lyons to face charges on Guinness

SIR JACK LYONS, 71-year old British millionaire, will appear at London's Bow Street Magistrates Court today to face charges of stealing more than £3.25m ($5.2m) from Guinness during its takeover bid last year for the Distillers drinks group. Page 28

HARCOURT BRACE Jovanovich, large US publishing group, says it has identified firm buyers for several peripheral businesses, whose sale should raise more than $400m towards servicing the $2.5bn debt burden HBJ took on to thwart a takeover bid by Mr Robert Maxwell of Britain. Page 29

LONDON: Optimism over the economy prompted by a confident speech from the Chancellor of the Exchequer helped equities extend gains. Gilts eased. The FT-SE 100 index closed up 15.7 at 2,375.5 and the FT Ordinary index rose 13.4 to 1,866.9. Details Page 46



WALL STREET: The Dow Jones industrial average closed down 34.44 at 2516.64. Page 50

TOKYO: Prices reached an all-time high spurred by Wednesday's recovery on Wall Street. The Nikkei average closed up 334.48 at a record 26,286.75. Page 50

GOLD rose $1 in London to $458.50. In Zurich it rose $0.15 to $458.50. Page 38

DOLLAR closed in New York at DM1.8155, FFr6.0485, SFr1.513 and Y144.4. It fell in London to DM1.8225 (DM1.8260); to Y144.90 (Y145.60); to SFr1.5185 (SFr1.5235); and to FFr6.0675 (FFr6.0775). On Bank of England figures the dollar's index fell 0.2 to 101.3. Page 39

STERLING closed in New York at $1.6485. It rose in London to $1.6425 ($1.6410); but fell to DM2.9925 (DM2.9975); to Y238.0 (Y239.0); to SFr2.4950 (SFr2.50); and to FFr9.9650 (FFr9.9725). The sterling index was unchanged at 73.3. Page 39

BARON Edmond de Rothschild's bank in Geneva is going public and will seek listings on the Geneva and Zurich stock exchanges. The Baron belongs to the French branch of the family, whose bank in Paris was nationalised in 1981. Page 31

SOCIETE GENERALE, recently privatised French commercial bank, has promised shareholders a sharp increase in dividend payments on the back of good first-half profits. Page 31

DE BENEDETTI group is to enter the insurance broking market in France through a partnership with Societe Intercontinentale d'Assurances pour le Ccommerce et l'Industrie, a leading French brokerage house effectively controlled by the Rothschild group. Page 29

AEROSPATIALE, France's state-owned aerospace company, expects earnings for 1987 to be close to the break-even level, a prediction which represents a substantial setback for the group. Page 31

NORDBANKEN, fifth largest of Sweden's publicly quoted commercial banks, reported a 39.3 per cent tumble in operating profit to SKr183.5m for the first eight months of 1987. Page 31

SUBARU MOTORS, subsidiary of Japan's Fuji Industries, announced a T$1.2bn (US$40m) joint cars venture with Taiwan Vespa. Page 30

Unlawful killing verdict entered at UK ferry inquest

BY KEVIN BROWN, TRANSPORT CORRESPONDENT, IN LONDON

THE JURY at the British inquest into 188 victims of the Herald of Free Enterprise car ferry tragedy yesterday brought in verdicts of unlawful killing.

The verdicts raise the prospect of criminal prosecutions against the master, first officer and bosun of the ferry, which capsized off Zeebrugge in March after sailing with its bow doors open.

The three men, Captain David Lewry, Mr Leslie Sabel and Mr Marc Stanley, were criticised for negligence in the report of a public inquiry into the tragedy conducted by Mr Justice Sheene.

They were also identified by the coroner, Mr Richard Sturt, as the only possible cause of the accident. Mr Sturt told the jury that it should bring in a verdict of unlawful killing only if they had been grossly negligent.

Evidence from the inquest will be sent to the Director of Public Prosecutions, who will decide what further action should be taken.

It was not clear what account would be taken of an announcement during the public inquiry that no criminal charges would be brought as a result of the accident in order to avoid placing the crew in double jeopardy.

An inquiry by an investigating judge in Belgium has also been adjourned to allow the British legal procedure to run its course and will now be reopened.

The investigating official, Judge Arthur D'Hoest, has indicated that criminal charges could be brought under Belgian law.

Neither the three seafarers nor Townsend Thoresen was willing to comment on the inquest verdicts last night, but relatives of some of the victims said they would continue to press for action against the company.

Mr Peter Spooner, whose son was killed, said: "There is no-one we want to hang, draw and quarter. But we want to see the company in the dock."

Townsend was heavily criticised by the Sheene inquiry, which said the company was riddled with sloppiness from top to bottom.

All the directors and most of the senior management of Townsend have since left the company, however, as have Mr Sabel and Mr Stanley. Captain Lewry is suspended from duty pending an appeal against the suspension of his qualifications by the inquiry.

Action against either Townsend or its parent, Peninsular and Oriental Steam Navigation, appeared unlikely because of the difficulty in bringing proceedings against a corporate entity.

The coroner refused an application during the inquest for five Townsend directors to give evidence in order to establish whether the company was guilty of manslaughter because of management failure at all levels.

The coroner ruled that there was no arguable case against the directors and that the company itself could not be indicted for manslaughter.

This ruling was upheld by the High Court, in a judgment which the media was directed not to report until the inquest had concluded.

Lawyers said the verdict could substantially improve the position of victims or other claimants seeking compensation through the courts, however.

The inquest jury delivered its verdicts - one for each of the victims - after five weeks of evidence and two days of deliberation.

Mr Stort instructed the jury not to name individuals in its verdicts and to put out of their minds any views on compensation or liability.

The verdict shocked some relatives.

Survivor, Mrs Lynette Carvely, whose mother died in the tragedy, said: "I'm very surprised and its not the verdict we wanted." She would have preferred verdicts of accidental death.

"I feel bitter towards the company but I feel so sorry for the captain and the crew. I think they have suffered enough."

Peugeot-Citroen sets the pace in credit card move

BY PAUL BETTS IN PARIS

PEUGEOT-CITROEN, the French motor group, is moving into the credit card business in a move expected to be followed soon by its major domestic rival, the state-owned Renault group.

Automobiles Peugeot, the big car division of the private Peugeot-Citroen group, is to introduce the card system for its French customers on Monday. Renault, the state-owned vehicle group and Peugeot's biggest domestic rival, confirmed yesterday that it was also working on a credit card scheme as are several other major European car makers, including Volvo of Sweden, which is understood to be discussing a link with Diners Club.

The card will be issued by Credipar, Peugeot's financing subsidiary, and will be part of France's Carte Bleue national debit and cash card linked to the Visa network. The entry of car makers into the already cut-throat credit card business is likely to put further pressure on the French banking sector, which is engaged in fierce competition for new consumer credit customers.

The Peugeot card will offer customers revolving credit facilities of up to FFr 40,000 ($6 600). The card can also be used as any ordinary Visa card to pay restaurant and shopping bills abroad, although at this stage the credit facilities will not apply outside France.

Peugeot envisages extending the cards to other countries where it has a large presence. This will first require equipping its foreign dealer networks with the necessary electronic terminals to back up the credit card service. The domestic Peugeot dealer network is expected to be fully equipped with terminals by the end of this month.

Peugeot acknowledges that the purpose of its move is to secure greater consumer loyalty and attract new customers at a time of intense competition in the French and European car markets. But the facility will also extend to the entire range of consumer goods and services.

"With the Peugeot plastic card, consumers will be able to buy spare parts, car accessories, pay for their regular car servicing charges or buy a second hand car and they will also be able to use the card to pay restaurant and hotel bills, to purchase goods in department stores, withdraw cash from hole-in-the-wall cash dispensers, and even buy foie gras from their local delicatessen on Sundays," explained a Peugeot official yesterday.

The company hopes that between 15 per cent and 20 per cent of new Peugeot customers will subscribe to the credit card in coming weeks. Peugeot's 450 French dealers expect to sell about 515,000 cars in France this year.

Japanese tanker hit in Gulf as Tokyo attempts to placate Iran

BY ANDREW GOWERS, MIDDLE EAST EDITOR, IN DUBAI

A JAPANESE-OWNED chemical tanker came under missile attack in the Gulf yesterday amid signs of strain in the Japanese Government's delicate effort to placate Iran while at the same time supporting the US naval presence in the region.

The ship, the 9,431-tonne Panamanian-flag Tomoe 8, was hit off the Saudi port of Jubail.

Its engine-room was set ablaze and three crew members are reported to have suffered minor injuries.

It was not clear whether Iran or Iraq was responsible for the attack.

The vessel was challenged by an Iranian warship shortly before the incident. But Iran has tended to use small arms or rocket-propelled grenades in such attacks and Iraq later claimed to have hit a large vessel in the Gulf.

Yesterday's incident was the fourth attack on a Japanese vessel in a week. The previous three hits last week were the work of Iran.

Shipping observers noted that it coincided with a rare hint of high-level Iranian criticism of Japan's avowedly neutral policy in the Gulf.

On Wednesday, the Tokyo Government announced it would provide a sophisticated tracking system to help the Western effort to protect shipping - a move welcomed as "a fine first step" by Mr Caspar Weinberger, the US Defence Secretary, but described by Iran's President Seyed Ali Khamenei as a break with Japan's traditional policy.

Japan is under heavy pressure from the US to do more to help but is worried about offending Iran, a significant export market and oil supplier.

The Japanese Ambassador to Tehran, Mr Yoshio Fujimoto, went out of his way yesterday to reassure Iran that his country would not join a proposed US boycott of Iranian oil. He told the Tehran Times: "We cannot think of such an eventuality."

Tokyo, which derives more than 60 per cent of its oil needs from the Gulf, has also been steadfastly opposed to a possible United Nations embargo on arms sales to Iran advocated by the US.

But this week it offered to increase payments for the upkeep of US forces in Japan, apparently to help offset the cost of US Gulf operations, and promised large aid packages for two Arab Western allies, Oman and Jordan.

Also in the Gulf yesterday, Iranian warships were reported to have challenged a number of commercial vessels near the Strait of Hormuz.

The French Navy said it had found two more mines, presumed to be Iranian-laid, off the busy United Arab Emirates port of Khor Fakkan just outside the mouth of the waterway.

Journalists ordered out of Tibetan capital

By our Foreign Staff

ALL FOREIGN journalists were yesterday ordered out of Tibet's capital, Lhasa, following two disturbances last week in which about two dozen people were reported to have been killed.

This has led to fears of a further Chinese crackdown against dissident Tibetans.

Official Chinese sources claimed that Lhasa was quiet on Wednesday, the 37th anniversary of the region's occupation by Chinese troops, but foreign correspondents were unable to report events because they were not allowed access to telephones and telex.

However, reports reaching Chengdu, the capital of the adjoining province of Sichuan, said that the city remained quiet. Tibetan nationalists said the huge show of military strength had deterred people from taking to the streets.

About 300 armed military police in trucks and jeeps drove through the old quarter and plainclothes police patrolled the area around the Jokhang temple where last Thursday's riot took place. Police sealed off three monasteries near Lhasa which have been centres of strong support for the Dalai Lama.

Western travellers arriving in Lhasa from outlying towns said police were searching buses and checking identity papers at road blocks.

Eyewitnesses believe that more than 100 monks have been arrested since the first demonstration on September 27.

Yu Wuzhen, director of Tibet's foreign affairs office, told the journalists that they had broken rules which oblige them to notify local authorities of their travel plans 10 days in advance. This is the first time in recent years that China has expelled correspondents from an area officially open to visitors.

Meanwhile the Dalai Lama's office in New Delhi stated that Tibet's exiled religious leader had called on world leaders to use their influence to try to halt Chinese suppression in Tibet.

Bonn heading for DM19bn state aid cuts

BY PETER BRUCE IN BONN

THE West German coalition Government appeared close yesterday to agreeing on major cuts in state subsidies and special tax privileges to help finance a DM39.4bn ($21.6bn) tax reform package planned for 1990.

The leaders of all three coalition parties spent most of the day together in Bonn trying to hammer out a financing plan. Early indications were that almost all the DM19.4bn financing needed could be made through cutting state hand-outs and not, as feared earlier, by raising consumer taxes and perhaps even VAT.

Mr Gerhard Stoltenberg, Finance Minister, is understood to have presented proposals to the meeting that would cut subsidies - mainly tax privileges - by about DM15bn. A Finance Ministry spokesman said further cuts were being discussed.

The tax reform package was announced in February but the Government did not say at the time how it would be financed for fear of scaring off voters during a series of important state elections that have now ended. The reform involves a broad redistribution of the tax burden and a promised DM20bn net cut.

Financing the remaining DM19.4bn chiefly through subsidy cuts would represent a major political achievement for Mr Stoltenberg and the Government, which has been loathe to tamper too much with the country's DM120bn-a-year subsidy bill because so many vital political interests are served by state aid.

However, by some estimates, up to half of the DM120bn takes the form of special tax privileges and cuts here would be, politically at least, easier for Chancellor Helmut Kohl's Christian Democrats (CDU) to defend.

It is possible that oil and tobacco taxes may still be increased, but the Finance Ministry would argue that the money raised would be used to fund Bonn's increased contributions to the European Community rather than helping to finance the tax reform package.

Mr Stoltenberg's initial proposals, said to be worth about DM15bn, are understood to focus on about 60 different tax privileges. Yesterday's discussions, which may continue today, also centred on whether interest paid on savings and other capital investments should be taxed more heavily.

The talks are understood to have been made more difficult because of the detail involved. The liberal Free Democrats (FDP), junior party in the Bonn coalition, has been pressing for subsidy cuts for months. However, the FDP might be less enthusiastic about cutting tax privileges than it would be, for example, about stopping state aid to dying industries where it has little political support.

Industrial nations to sign tax convention

BY PAUL BETTS IN PARIS

LEADING industrialised nations yesterday accepted controversial proposals to improve cross-border co-operation between tax authorities to detect tax evasion and avoidance.

The move follows the decision by the governing body of the Paris-based Organisation for Economic Co-operation and Development to invite member countries to sign a multilateral tax convention from January 25 next year.

The convention will enable tax authorities of different countries to exchange information in an attempt to clamp down on tax evasion. The convention will also allow countries to make specific requests for information in cases where there is strong suspicion of tax evasion.

But the scheme faces strong opposition from international business lobbies and small investors groups, who see the new convention as an effort by tax authorities not only to fight criminal tax-evasion but also to curb legitimate tax avoidance.

Several countries, including Switzerland, West Germany, Ireland, Luxembourg and Portugal, have expressed strong misgivings about the scheme and are likely to decide not to sign

Some opponents fear that the US Internal Revenue Service (IRS), which has been a strong supporter of the plan, sees the convention as a means of extending its powers over multinational corporations.

Opponents of the multilateral tax convention have also described it as "an Orwellian scheme concocted by faceless bureaucrats."

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Three-year pay deal reached in Ireland

BY OUR DUBLIN CORRESPONDENT

THE GOVERNMENT of Mr Charles Haughey has received a major boost following the successful completion of talks with unions and employers on a three-year deal on pay and jobs.

Mr Haughey and his ministers are to meet employers, unions, and representatives of agriculture today to spell out the terms of the agreement which provides a minimum increase for low paid workers and income tax concessions for PAYE taxpayers.

In addition, there are to be talks aimed at reducing the average working week by providing longer annual holidays for public service workers, a development hailed as revolutionary by union offocials.

The negotiations had been going on for three months. Over the past fortnight there were strong indications that a breakthrough was near, and early yesterday both sides indicated they had reached broad agreement in principle. All that remains is for ministers and officials to fine-tune a deal that should run until the end of the decade.

The previous public sector pay deal expired last June and other local agreements have been running out since then. The new package acknowledges the need for flexibility in dealing with pay by allowing widespread negotiations outside the public service itself. On pay, the proposal is for an increase of 3 per cent on the first £120 of weekly earnings and 2 per cent on the remainder for each of the three years. The deal would be weighted towards the lower paid by providing for a minimum increase of I£4(£3.63) a week in each year.

In the private sector there will be local negotiations on all these figures, but the deal allows for increases being applied in the private sector through the industrial relations procedures currently in operation.

The proposal to reduce the working week is aimed at stemming job losses in both the public and private sectors. Ministers also hope it will provide a base to help create some of the 20,000 new jobs needed in private manufacturing industry during the next decade.

Moscow offers talks on cutting N-weapons in Kola Peninsula

A SENIOR Soviet official has said that the Soviet Union would be prepared to discuss a reduction of nuclear weapons in the Kola Peninsula and would welcome proposals from other countries, including those in the Nordic region and Nato, writes Sara Webb in Stockholm.

The peninsula, in the Arctic between the Barents and White seas, is home for two-thirds of the Soviet submarine-based strategic missiles and about half of the attack submarine fleet.

"We have already phased out some missiles in this area...more suggestions would be welcome," said Mr Oleg Grinevsky, the Soviet ambassador with special responsibility for foreign affairs.

Mr Grinevsky held "interesting and constructive" talks in Stockholm earlier this week with Mr Roine Carlsson, the Swedish Defence Minister, and Mr Pierre Schori, Sweden's Under-Secretary of State, to discuss the proposals made last week by Mr Mikhail Gorbachev, the Soviet leader, for a reduction of naval activity in the Baltic and Arctic seas.

One possibility of a Nordic nuclear-free zone would be to include all nuclear weapons on submarines and vessels in the Baltic Sea, but that reduction would not be one-sided Soviet action, said Mr Grinevsky.

All countries involved in the question of security in the Nordic region, including Nato members, the US and Canada, should now participate in discussions, Mr Grinevsky said, adding that the creation of a Nordic nuclear-free zone would be "a Nordic facade of the building of European security."

Nato is beginning to believe that the Kremlin genuinely wants a deal, writes **William Dullforce**

Soviet door opens to a chemical arms ban treaty

BY OPENING up their top-secret chemical warfare site at Shikhany to Western visitors at the weekend and by putting their chemical munitions on display the Soviets claim to have conducted a quite unprecedented exercise in confidence-building.

Now they want the US to reciprocate. President Ronald Reagan is asked to stop the programme to resume production of chemical weapons. The US is scheduled to start on December 2 the final assembly of 155m artillery binary shells.

Binary weapons contain two chemicals, harmless in themselves, which become lethal when mixed. The US considers that they offer a safer way of storing and handling chemical munitions. The Reagan administration wants to produce them, in order to reduce the superiority it says the Soviet Union has built up since the US stopped making chemical arms in 1969.

At Shikhany Soviet generals and arms negotiators earnestly put across the message that an international convention to rid the world of chemical weapons, under which they would destroy all their stockpiles and munitions, can be completed next year in the 40-nation UN disarmament conference in Geneva.

The remaining obstacles were political, not technical, they insisted. What was needed was a confidence-building gesture from Washington in response to that made at Shikhany by the Soviet government.

Nato ambassadors, mingling with Soviet generals and arms negotiators round the shells, bombs and spray tanks on display, acknowledged that their presence at Shikhany confirmed a profound turnabout in Soviet policy. It was only last February that Moscow admitted it possessed chemical weapons.

> Estimates of Soviet stocks vary from 100,000 to half a million tons, but the figure quoted in the latest US papers is 300,000. The US is estimated to hold 30,000 tonnes

Their accompanying weapons experts shaded this assessment. The 19 types of munition shown were impressive in number, but old-fashioned. The blister agents and deadly nerve gases listed were all known in the 1950s, they claimed.

Was it credible that the Soviet Army, which according to intelligence reports, had built up the world's most formidable chemical warfare capability, had not developed new, even deadlier agents and ways of delivering them during the last quarter of a century?

"The Soviets have lied for years. We have to be absolutely sure that they are not continuing to cheat," a Nato defence expert said. More information about the number and location of Soviet stockpiles and some indication of the size of the stocks to be destroyed would be needed before the convention could be finally agreed, they warned.

Estimates of the Soviet stocks vary from 100,000 to 500,000 tonnes, but the figure quoted in the latest US papers is 300,000 tonnes. The US is estimated to hold about 30,000 tonnes. Neither side has declared the volume of its stocks but the US has listed eight stockpiles on the mainland and one on a Pacific atoll and given a breakdown in percentages of the amounts held at each.

However, considerable momentum towards an agreement has built up this year in Geneva. Having admitted their possession of chemical weapons, the Soviets went on to declare readiness to disclose their stockpiles and to accept the inspection on challenge which the US and most of its allies consider to be an indispensable provision in the convention to deter cheating.

Nato and other capitals will now be assessing the significance of the Shikhany demonstration but, when swapping impressions during the visit, diplomats had already noted four reasons for believing that Moscow is genuinely striving for a ban on chemical weapons.

First, the Soviets want to prevent the US from building up an arsenal of new, binary arms. It is a common Nato belief that the Reagan administration's decision to go ahead with the binary programme has been a major motive in bringing the Soviets to negotiate seriously.

Moreover, the general Nato view is that a start to the assembly of the weapons in December will not stop the Soviets from negotiating. Mr Max Friedersdorf, the US chief negotiator, made the point that Congress would certainly not continue funding chemical weapons, if an international ban were agreed.

Second, the situation in the Gulf, the use of poison gas by Iraq in its conflict with Iran and Tehran's threat to reply in kind have brought home to Moscow the danger of allowing bushfire wars to be fuelled by chemical weapons, diplomats believe.

Third, Soviet strategists are reported finally to have accepted that maintaining a chemical warfare capability lowers the nuclear threshold. Nato would resort to nuclear defence at an earlier stage in a crisis, if it expected a chemical attack, to which it had no riposte. Defence experts also note a widespread disenchantment with the efficacy of chemical weapons, because of their unpredictability, not in killing but in bringing about decisive strategic advantages.

Fourth - and by no means the least important - is a growing conviction, enhanced by the contacts with Soviet generals at Shikhany, that under Mr Mikhail Gorbachev, the Soviet Union has adopted policies of openness and economic reform which are pushing it towards disarmament.

Both superpowers appear to be preparing for a ban on chemical weapons. The Soviet Union started to build a destruction plant at Chapayevsk in January: the generals said it will be ready for a visit by foreigners towards the end of 1988 or in 1989. The US Army already has a programme underway for disposing of its stockpile.

Funds involved in these programmes are substantial. Destroying chemical weapons is an extremely expensive business. The US Army estimated in 1984 that it could cost as much as $4bn and take 20 years for it to dispose of its stocks with existing technology.

Commitments on both sides to these investments therefore augur well. Some more confidence-building is needed to secure the final political commitments. On November 19 and 20 Soviet experts will visit a US destruction plant at Tooele. Informal talks among a few key countries will resume in Geneva on November 23 and fuller consultations among the 40 start on November 30. Nobody has yet put on the brake.

Senior Eta suspect sent to Spain

FRANCE handed over the alleged propaganda chief of Eta, the Basque guerrilla movement, to Spain yesterday, taking to 54 the number of Eta suspects deported across the border since the weekend, Reuter reports from Madrid.

Miguel Miguez, known as 'El Peque' (Tiny), was detained on Wednesday. He is suspected of being the overall head of the separatist group's propaganda machine and the chief of its commandos in the Navarre province.

The Interior Ministry said earlier that police, following up dozens of arrests, seized a large quantity of arms and ammunition in a cache in northern Spain.

They found guns, more than 50kg of explosives, detonators, nails, grenades, a rocket launcher and plans for future Eta attacks when they raided a house near the town of Motrico, the Ministry said in a statement.

France arrested the movement's supected military leader last week, and over the weekend rounded up nearly 100 people suspected of links with the group, handing 53 over to Spain and deporting 12 to Algeria. Spanish police working on information obtained by France have detained another 41 people.

The unprecedented wave of arrests and expulsions have led to demonstrations on both sides of the border. Seven people were injured when police fired rubber bullets at protesters in San Sebastian on Wednesday night.

VW workers in protest over share sale

NEARLY 30,000 workers demonstrated outside the headquarters of Volkswagen yesterday in protest at government plans to sell its stake in the car manufacturer to private investors, Reuter reports from Wolfsburg. Mr Gerhard Stoltenberg, the Finance Minister, says he will probably sell the Government's 16 per cent stake this year.

A spokesman for the workers' council said demonstrations also took place at other VW factories in West Germany. Production stopped for about two hours. He said that the workers' council president, Mr Walter Hiller, had said that VW workers had no sympathy with the government sell-off 'to fill the gaps in the federal budget.'

At current prices, the Government would raise about DM1.8 bn(£600m) for its stake.

Great Belt link tenders sought

By Hilary Barnes in Copenhagen

TENDERS FOR the first stage of one of Europe's biggest bridge and tunnel projects will be invited this week by Denmark's Great Belt Link state company.

Danish companies have extensive experience in building bridges between the country's many islands, but for the Great Belt project they are expected to link up with international consortia.

The Great Belt is one of the two main exits from the Baltic and separates the islands of Sjaelland and Funen, the latter of which is already linked by bridges to the Jutland peninsular.

The tenders are for the western bridge, which will join Funen to the small island of Sprogoe, a six kilometre stretch. The cost of this will be around DKr3bn (£260m), said the company.

Construction on the combined road and rail bridge is due to start at the end of next year. The eastern link will be completed later, starting with a rail tunnel, with a planned completion date in 1993, and followed up with a road link to be finished in 1996.

The Great Belt link will be supplemented later, according to Danish-Swedish proposals, with a bridge or tunnel across the Sound, which separates Sjaelland from southern Sweden, thus providing the first permanent link between the Continent and the Scandinavian pensinsular.

However, Sweden's Government has been forced to postpone a decision on a plan for a road and rail bridge between the southern Swedish city of Malmoe and Copenhagen. At the congress of the ruling Social Democratic Party last month environmental opposition to the bridge was so strong that the project was remitted to a party committee for further consideration. The critics would prefer a rail tunnel link between Helsingborg and Helsingoer

FINANCIAL TIMES

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SOVIET BLOC MAY HOLD KEY TO FINAL RESULT

M'Bow holds lead in Unesco battle

BY IAN DAVIDSON IN PARIS

IN the second round of voting in the executive board of Unesco, the United Nations Educational, Scientific and Cultural Organisation, Mr Amadou Mahtar M'Bow stayed ahead in his battle to secure renomination for a third consecutive term as Director General.

But he failed to improve on the score he achieved on Wednesday in the first round of voting, and his voting support of 18 remained well short of the absolute majority required for outright victory. As on Wednesday, he was followed by Mr Yaqub Khan, Foreign Minister of Pakistan, but his tally fell back from 16 to 12.

By some calculations, Mr M'Bow's total of 18 votes is slightly smaller than had once been expected, and Mr Kahn's first-round tally was slightly greater. But observers were reluctant to draw any far-reaching conclusions from the detailed figures of these first two rounds and predicted that a decision would take several more rounds of voting before the battle would be over.

Apart from Mr M'Bow and Mr Kahn, Mr Federico Mayor of Spain improved his score from six to nine votes, Mr Nikolai Todorov of Bulgaria remained static at six votes, and Mr Soedjatmoko of Indonesia again scored two.

Considerable attention must now focus on the voting intentions of the Soviet bloc (Soviet Union, Mongolia, East Germany and Bulgaria), since Mr Todorov could have no chance of winning, and at some point the East Bloc may be expected to throw its weight behind another candidate.

At one stage, the Soviets could have been expected to favour the divisive, anti-Western policies of Mr M'Bow, but it is not clear that this remains their policy

In the first round, Mr Yaqub Khan was supported not merely by a number of Asian countries but also by most Western governments. The French Government's public endorsement of Mr Khan caused a public fracas on the first day of voting since the French member of the executive board, Mrs Gisele Halimi, resigned in protest that her Government should support a candidate linked to a military coup.

In the light of the politicisation of Unesco which Western countries lay at the charge of Mr M'Bow, it is in retrospect, and regardless of Mr Khan's personal qualities, unfortunate that the West should be supporting a candidate open to the charge of being "right wing." At all events, Mrs Halimi's protest may have served to undermine support for Mr Khan.

Business turns its guns on OECD tax plan

BY RICHARD WATERS

TAX EVASION and legitimate tax avoidance are different things, say the business lobby groups who object strongly to the proposal that commercial information should flow freely between revenue authorities in different countries. They fear that authorities, while claiming to attack the first, will use the powers that the OECD and the Council of Europe plan to give them to look closely at the second.

Much of the information that would be released under the proposed OECD convention is already available in other places, claim business lobby groups like the International Chamber of Trade and the Business and Industry Advisory Committee to the OECD. But the proposals would lead to the uncontrolled flow of commercial information which at present is governed by formalised double taxation agreements.

"It's likely to be more widely used than double tax agreements," said Mr Hugh Roe, taxation controller of ICI and a spokesman for the International Chamber of Commerce.

This could pose several problems for taxpayers. First, disputes with revenue authorities could escalate. Most transactions within multinational companies are carried out for commercial reasons, with their tax consequences only a secondary consideration, companies claim. Tax collectors, on the other hand, often believe that the tax tail wags the commercial dog, and that avoiding paying duties determines the structure of many transactions.

Giving revenues the raw data about transactions gives them the chance to challenge them. "Sometimes data isn't informative - it doesn't say anything about motives," said Mr Roe.

"The vast majority of cross-border schemes are undertaken for straightforward commercial reasons," said one London-based tax adviser. "Efficient tax planning is always best undertaken on the back of good commercial transactions."

The result for companies would be an administrative nightmare if they were called on to prove their innocence in several countries over the same case.

The convention also invites authorities to indulge in "fishing expeditions" for information, say the lobby groups.

A second problem arising from the sharing of information could be the leaking of commercial secrets. The OECD has promised safeguards in this area. Individual countries have made their own rules to protect taxpayers. A recent review of tax enforcement in Britain concluded that taxpayers should have the right to object to how information was used if it jeopardised commercial secrecy.

Taxpayers' rights have generally been taken to include the right to know what information about them is being circulated between authorities.

The revenues could find that sharing information backfires on them. Authorities in different countries could find themselves competing with each other to collect the same tax, say lobbyists.

Legal complications could also complicate matters. Part of the plan to crack down on tax evasion involves allowing tax authorities to sue in other countries for tax.

One consequence would be that tax cases could be re-opened as long as 15 years after the year to which they relate - compared with the six year limitation currently observed in Britain. It may be a lawyers' dream, but businessmen claim it would hinder their operations.

French MPs lift Nucci's immunity

By Paul Betts in Paris

The French National Assembly has voted by a heavy majority to lift the parliamentary immunity of Mr Christian Nucci, the former Socialist Co-operation Minister, to allow him to appear before a special court to answer embezzlement charges.

The right-wing RPR and UDF parties, as well as the extreme right National Front and the Communists, voted to send Mr Nucci to the court; the Socialists voted against.

The motion was carried 340-211 after a tense debate which lasted into the early hours. Mr Nucci defended himself during the debate declaring his innocence. The Senate is now due to vote on the same issue.

Mr Nucci's involvement in the so-called *Carrefour du Developpement* scandal will be examined by five special investigating magistrates who will decide whether to bring the case before the high court.

Commission picks men to wield steel axe

BY WILLIAM DAWKINS IN BRUSSELS

A DIVIDED European Commission finally decided yesterday on the make-up of its long awaited panel of "three wise men" to advise on how the EC steel industry must close 30m tonnes of overcapacity.

They are Professor Umberto Colombo, chairman of Enea, the Italian atomic energy authority, Mr Jacques Mayoux, managing director of Societe Generale, France's biggest bank, and Mr Hans Friedrichs, a former West German economic affairs minister.

Viscount Etienne Davignon, the former EC Industry Commissioner and architect of the steel quota system that has helped the industry limp through its recession, had been widely canvassed as a candidate. But he was dropped at the last minute because a majority of the Commission - though not Mr Karl-Heniz Narjes, the Industry Commissioner - could not accept his demands to be given a free hand to find his own ways of making closures.

Instead, the panel's mandate has been tightly defined. Its first and toughest task is "to obtain the clearest possible information on the plant closures which should be made" during the three years the quota system has left to run, and to define which products would be affected. The panel's second task is to report on the conditions set by steel enterprises for the achievement of possible closures. Finally, it is to submit its result by November 16.

EC ambassadors will formally approve the panel membership today. The initial response from industry experts in Brussels was doubt over whether its members had the authority to complete a task which Eurofer, the club of major integrated steelmakers, has failed to do.

Mr Mayoux is well known as a former chairman of Sacilor, the French state-owned steel producer. The others have no specific steel experience, beyond being influential figures from the EC's largest steelmaking countries.

Eurofer tried to produce adequate voluntary cuts earlier this year, but failed to get agreements for the 10m tonnes of hot rolled coil overcapacity which lies at the heart of the problem, and where the three wise men will have to make their hardest decisions.

W German money supply rises 8.1%

West German money supply rose by 8.1 per cent in September against 7.5 per cent the previous month, confirming the upward trend in monetary growth which triggered a rise in short-term interest rates earlier this week, writes Haig Simonian in Frankfurt. The figures, showing yearly money supply movements on the basis of changes over the past six months, are well above the official target range of 3 - 6 per cent. The statistics will strengthen the hand of those in the Bundesbank calling for tighter money policy.

Sweden's economy in danger of overheating, says report

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

SWEDEN'S economy is in danger of overheating, the country's National Institute of Economic Research warned yesterday in its autumn report.

The economy is booming with rapidly rising production, low unemployment and industry working at high capacity levels. At the same time, however, the external payments position is worsening and rising prices and pressures on wages are threatening international competitiveness.

Earlier this week, Mr Ingvar Carlsson, the Prime Minister, promised restraint in the 1988 budget in order to counteract "tendencies towards an overheated economy," and he made a plea for moderate pay settlements.

The Government has earlier warned that it would set cash limits for the first time for wage increases in the public sector. Yesterday it set up a commission to examine the right to strike in the public sector, which was hit by widespread industrial conflicts in 1985 and 1986.

Leaders of the opposition Conservative and Liberal parties have called this week for cuts in marginal tax rates in 1988 and for the planned increase in the payroll tax to be abandoned in order to pave the way for low nominal wage rises.

The ruling Social Democrats' congress last month was marked by optimistic calls for a new round of social reforms in the wake of the recovery of the economy from the deep crisis of the early 1980s.

At the opening of the Swedish Parliament this week Mr Carlsson warned, however, that reforms could only be implemented "at the rate that room is created by economic growth and rationalisation of the public sector."

Fears of overheating in the Swedish economy have been increasing in recent months in the face of continuing strong domestic demand. Private consumption, which rose by 4.1 per cent last year and is expected to jump again this year by 4.2 per cent, is being fuelled by a substantial improvement in real disposable wages, booming share and property prices and deregulation of the credit market.

Investment has also picked up strongly this year with an 8-9 per cent increase in housing investment and a forecast jump of 12 per cent in industrial investment.

The Institute's autumn report forecasts a jump in gross national product of 2.8 per cent this year compared with 1.2 per cent in 1986 and an expected 1.4 per cent in 1988. Lack of capacity is curbing the growth of Swedish exports of manufactured goods, which are forecast to grow by 3 per cent in volume in both 1987 and 1988, while imports are rising by close to 10 per cent this year and 6 per cent in 1988.

Inflation last year was at its lowest level for nearly 20 years at 3.2 per cent, but the rate of inflation is now picking up again and is expected to reach 5.2 per cent during 1987 and 4.9 per cent in 1988.

The Institute says that last year's surplus of SKr8.6bn (£826m) on the current account of the balance of payments will be wiped out this year and that next year the current account could plunge back into a deficit of close to SKr10bn.

In a separate report on Swedish industry the institute shows that new orders from both domestic and foreign markets have picked up faster than expected in the third quarter and Swedish companies expect continuing strong demand and rising output in the final quarter and the first half of 1988.

Unemployment is expected to be below 2 per cent next year, and industry is working at the highest capacity levels for more than a decade.

Joint EC-Comecon deal likely as Soviets call for closer ties

BY QUENTIN PEEL IN BRUSSELS

A TOP-LEVEL Soviet Parliamentary delegation yesterday called for closer links between the European Community and the member states of Comecon, the Soviet-dominated state-trading bloc.

A joint declaration of mutual recognition could be signed in the coming months, paving the way for closer co-operation in fields such as research and economic relations, officials said.

EC negotiators are waiting for a response from Comecon on how to include some reference to West Berlin as part of the Community in any such declaration, but neither side regards the issue as a fundamental stumbling bloc.

Mr Lev Tolkunov, the President of the Supreme Soviet who is heading a first-ever visit to the European Parliament in Brussels and Strasbourg, said yesterday that the mission would give a new impetus to relations between the institutions.

He presented an invitation to Lord Plumb, the President of the Parliament, to lead a delegation to Moscow although Parliamentary officials said that would have to wait for a formal recognition agreement.

The Soviet visitors told MEPs that they were keen to promote technological and economic co-operation with the Community, including the possibility of participating in European research programmes.

"The Soviet Union is very interested in co-operating with the Eureka programme," Mr Rudi Arndt, leader of the Socialist group in the Parliament which invited the delegation, said at a press conference.

He also called for a review of the Cocom list of strategic exports which may not be exported by US or West European companies to the Soviet Union.

"All those goods which can only serve the cause of peace should be eliminated from that list," he said.

Mr Tolkunov said that Soviet recognition of the EC would be "symbolised" by the signing of the EC-Comecon declaration.

EC officials, however, are seeking simultaneous diplomatic recognition from all the individual Comecon states to coincide with the EC-Comecon declaration.

OVERSEAS NEWS

Tunis executes two Islamic fundamentalists

TWO ISLAMIC fundamentalists were hanged in Tunisia yesterday, for plotting to overthrow the state with Iranian help, the Justice Ministry said, **Reuter reports from Tunis.**

Five others, who were condemned to die after last month's trial of 90 fundamentalists, are still on the run.

Other sentences resulting from the trial ranged from life imprisonment with hard labour to two years' jail.

The Islamic Tendency Movement, the fundamentalist group at the centre of the case, vowed during the trial to avenge any executions of its leaders.

The pro-Iranian Lebanese Islamic Jihad (Holy War), another opposition group which is holding a number of Western hostages, said in Beirut after the trial ended that it would begin killing Tunisian government officials if the death sentences were carried out.

Those executed were Mehrez Boudegua, a 25-year-old electrician who admitted making four bombs which injured British and Italian holidaymakers in Tunisian hotels two months ago. He denied belonging to the movement.

The other was Boulbaba Dekhil, 28, who admitted an acid attack on a senior member of President Habib Bourguiba's ruling party. The indictment said he did it to settle a score with the official for acting against the movement.

All of the accused were charge with trying to bring down the Government and the hotel bombings were said to have been part of the plot.

Security in Tunis has been tight since the State Security Court passed sentence on September 27 at the end of the month-long trial. Troops, police and helicopters have been on patrol.

In a further move emphasising the importance attached to security, Mr Bourguiba last week appointed Mr Zine al-Abidine Ben Ali, his former Minister of State for the interior, as Prime Minister.

The 51-year-old ex-army general has been the architect of a major crackdown on the movement since Tunisia cut diplomatic relations with Iran in March following an alleged discovery of a fundamentalist network aiming to oust Mr Bourguiba and set up an Islamic state.

Although the prosecution had demanded death sentences on all of the accused at the State Security Court, movement leader Rachid Ghannouchi was sentenced to life imprisonment with hard labour.

David Dodwell in Hong Kong reports on an attempt to alter focus of debate

Political reform pushed into back seat

ANYONE looking for insights into Hong Kong's political future in Governor Sir David Wilson's maiden speech this week will have found scant pickings.

His speech, given at the opening session of a new Legislative Council year, contained only two cautious paragraphs in its 83 pages.

There will be some political activists in the territory who say he sidestepped the most burning issue of the day.

But others – and probably a majority – appeared to regard it as a valiant attempt to shake Hong Kong out of a masochistic obsession with political reform.

Sir David talked of wealth creation, housing, social welfare, medicine and infrastructure development – issues reminiscent of those given by Sir Murray Maclehose in his maiden speech as governor in 1971.

Sir David tried to portray a government with more important things to get on with than debate over political reform.

This was perhaps due to the constant jibes that the present government is a "lame duck administration" as it always has to keep one eye on the views of Peking, which will take sovereign control of the territory in 1997.

"His message was that here we have a confident government with long-term plans, a government that refuses to be cast in the role of caretaker ahead of 1997," said an academic observer.

He added that Sir David's speech was a "blueprint for the 1990s," just as in 1971 pundits talked of Sir Murray's speech as "a blueprint for the 1970s."

"Build for the future" splashed one newspaper above reports of Sir David's address entitled: "Speech avoids politics, focuses on development." Another newspaper talked of "Policies for the people" adding, "Santa wasn't early – it was the governor."

Sir David Wilson, who was appointed Hong Kong's 27th governor seven months ago, in some respects has similar motives to those of Sir Murray in focusing on economic and social development.

Sir Murray had arrived in the wake of serious political upheaval linked with China's Cultural Revolution. This had eroded local morale, created political divisions and prompted many of the territory's business barons to make contingency plans for emigration and put their fortunes overseas.

By the time the then Dr David Wilson arrived as political adviser to Sir Murray in 1977, the economy was booming and new towns were nearing completion. Many welfare provisions initiated six years earlier were beginning to bear fruit.

Is it, therefore, unreasonable to assume that Dr Wilson was strongly impressed by the achievements arising from that 1971 blueprint – not just in terms of houses and buildings, but in terms of repaired social morale?

Sir David may also have been powerfully-influenced by the plight of his immediate predecessor, Sir Edward Youde, who died of a heart attack while visiting Peking in December last year.

On Sir Edward's arrival in 1982, he was plunged into two taxing years of secret negotiation with Peking on its resumption of sovereignty.

During these two years as a virtual absentee governor, alarm over the plight of the territory triggered the most serious economic crisis in a decade, with property prices decimated, companies thrown into bankruptcy and the currency under threat.

Sir Edward was able to devote more time to the practical problems of Hong Kong after the Sino-British joint declaration on the transfer of power was agreed to late in 1984.

But right until his death, Sir Edward was prevented from ever being able to take a longer view because of local obsessions over Hong Kong's future and the need to repair the damaged economy after the 1983 collapse.

Sir David Wilson's bid this week to draw attention away from the political obsessions that dogged Sir Edward's period was the more striking because it came just days after the curtain fell on a four-month debate on political reform.

Much of Sir David's time over the past seven months has been spent in gauging public opinion on the matter and assessing how to handle a possible clash with Peking

Many political activists had expected Sir David to use his maiden speech to address these sensitive issues. But they may have been thrown off balance by his neglect of the subject.

While saying the Government was "committed to taking full account of all the views recorded by the survey office," Sir David said it had to give full regard to the need to make sure that changes "do not disrupt the steady progress we have been making, nor the stability which is so important to the community."

Sir David's reluctance to be drawn on this political issue may lose him some friends, but his commitment to boosted spending on housing, education, social welfare, pensions, roads and sewerage appears likely to win him many more.

The issue of politics may not have disappeared for long, but Sir David's decision to shift the focus appears to have been welcomed as a refreshing change.

Sir David Wilson, Hong Kong Governor

Former Fiji PM seeks meeting with Queen

By Robin Pauley, Asia Editor

RATU Sir Kamisese Mara, the former Prime Minister of Fiji, left for London yesterday hoping to persuade the Queen to accept the new military republic of Fiji as a member of the Commonwealth. But Buckingham Palace announced the Queen would not meet him, although he will see Sir William Heseltine, her private secretary, this morning.

The military yesterday tightened its grip on the South Pacific island archipelago, closing the trades union congress and civil service union offices. It also started telling senior civil servants to resign so their positions can be filled with Melanesians chosen by the army leaders. All judges' positions have been declared vacant and the military is expected to announce a new panel of judges today.

Ratu Mara, who was Prime Minister after independence from Britain in 1970 until he lost a general election in April to a predominantly Indian coalition led by Dr Timoci Bavadra, a Melanesian. This sparked an army coup on May 14 followed by another last month and the declaration of a republic on Tuesday by Col Sitiveni Rabuka, whose aim is to preserve political dominance for the Melanesians.

Ratu Mara, who is a Privy Councillor, was hoping for an audience with the Queen. A meeting with Sir William was also the arrangement for Dr Bavadra during a world tour in search of support after the first coup.

Ratu Mara has played an ambiguous role since losing power in April. It is widely thought that he and senior members of his party were aware of the likelihood of the first coup before it happened. He has at different times appeared supportive of the military and at other times opposed them, and he has also supported efforts by Ratu Sir Penaia Ganilau, the Governor General, to find a constitutional compromise to the crisis.

The Queen and the British, US, Australian and New Zealand Governments have refused to recognise the republic and regard Ratu Ganilau as the legitimate source of executive power. The Queen would meet him but he is unlikely to risk leaving the islands.

Japan leadership vote brought forward

BY IAN RODGER IN TOKYO

LEADERS OF Japan's ruling Liberal Democratic Party have agreed to bring forward the election date of a successor to Mr Yasuhiro Nakasone as prime minister to October 20 from October 30.

The agreement came as the election campaign officially got under way with only three candidates in the running; Mr Noboru Takeshita, a former finance minister, Mr Shintaro Abe, a former foreign minister and Mr Kiichi Miyazawa, the current finance minister.

The election is to select a new president of the LDP, which automatically brings with it the job of prime minister. LDP leaders have forced Mr Nakasone to stand down at the end of this month concluding a twice-extended five-year term.

On Wednesday, a fourth potential candidate, Mr Susumu Nikaido, withdrew from the race. Mr Nikaido, a former vice-president of the ruling Liberal Democratic Party and a close associate of the former prime minister, Mr Kakuei Tanaka, was never given much chance of winning, but his presence might have made the campaign more unpredictable.

Under LDP rules, if more than three candidates run, then a primary vote must be held among the entire party membership. Now the election, if one is necessary, will be restricted to the 445 LDP members of the Diet (parliament).

The LDP, as usual, is encouraging the candidates to agree through negotiations who among them should become the leader rather than carry to its conclusion a divisive election campaign. Party officials agreed to bring forward the date of the election in the hope that such a move would expedite negotiations.

The three candidates have all published policy documents this week, but these are virtually indistinguishable from each other. The three men have all committed themselves to pursuing Mr Nakasone's policies of expanding domestic demand, opening Japan's markets and making the country play a greater role in dealing with the world's problems.

In any event, the election is not about policy but about achieving power. None of the candidates has a decisive advantage. At the moment, Mr Takeshita appears to be in the strongest position, having the support of 124 LDP Diet members. (He has 114 in his faction, and last week gained the support of 10 hitherto neutral members of the Tanaka faction.) Mr Miyazawa has 89 in his faction and Mr Abe has 86.

Mr Nakasone, whose faction has 87 members, hopes to play a kingmaking role, but this may be denied to him because of attempts by Mr Takeshita and Mr Abe to form an alliance with each other and with the minor Komoto faction, with its 32 members.

The alliance is based on the idea that Mr Takeshita and Mr Abe would each be prime minister for a period of two years. However, they have been unable to agree so far on who should get the job first. Mr Miyazawa and Mr Nakasone are believed to be encouraging Mr Abe to leave the alliance.

Takeshita: faction of 124

China gains ADB loan

BY RICHARD GOURLAY IN MANILA

THE ASIAN Development Bank yesterday approved its first loan to the China since the world's most populated country became a member of the Manila-based bank in March last year.

The $100m loan will go to the China Investment Bank which will on-lend to about 80 small and medium-sized companies mainly in the country's industrial eastern region. The loans will help upgrade outmoded technology, improve productivity, modernise product design and increase efficieny of energy and raw material use, the ADB said.

Funding for the loan will come from the bank's ordinary capital resources rather than the concessionary Asian Development Fund to which the country's gross national product per capita entitles it. As a result China will have to repay the loan over 12 years after a three-year grace period and will pay interest at the bank's pool based cost of funds.

India, which started borrowing in 1986, and China are both entitled to concessionary funds based in GNP per capita and population, but had they drawn on their ADF entitlement they would have rapidly depleted the bank's grant funds.

China gained a seat on the ADB's board of directors at this year's annual general meeting in Osaka and now controls the third largest voting block behind Japan and the US. China's increased interest and participation in the ADB was partly behind the Soviet Union's decision to attend the April meeting as an observer.

Robertson lied about date of his marriage

By Stewart Fleming in Washington

MR PAT ROBERTSON, the right-wing Republican presidential hopeful and *former television evangelist, has* conceded that he had lied in the past about the date of his marriage.

On Tuesday, the Wall Street *Journal, in a* profile of Mr Robertson, reported that he was secretly married on August 27 1954, just 10 weeks before his son was born.

Yesterday, however, the Washington Post reported that in a taped interview he had told the newspaper that he was married on March 22 1954.

Questioned about this discrepancy, Mr Robertson told the newspaper that he and his wife always considered the March date to be correct be*cause "our son was conceived on* that day" and claimed that he had given "an honest answer ... to us it wasn't any big deal."

"This was a man trying to pro*tect his family," he is quoted as* saying.

Mr Robertson, one of the pioneers of religious broadcasting in the US is basing his presiden*tial campaign in part around* fundamentalist moral values and the need to "bring back the old-fashioned concept of moral restraint and abstinence before marriage."

In an effort to broaden his appeal he has also begun to distance himself from his evangelical past. On September 29, just two days before he formally announced that he would seek the Republican Presidential nomination he announced that he was resigning as a Southern *Baptist minister and cutting his* ties to his religious broadcasting empire.

He has also been presenting himself much more as a successful businessman rather than a television evangelist.

Mr Robertson has also been correcting and being more precise about other claims he has made in the past which have been misleading, including the suggestion that he had been a graduate student at the University of London and a member of the board of a US bank.

Mr Robertson's disclosures may make it more difficult for him to broaden his appeal. But it seems unlikely to shake the commitment of the core of his support among religious fundamentalists.

Tim Coones in Buenos Aires recaps the life of Latin America's most renowned revolutionary who died 20 years ago today

The guerrilla whose legend survives

WHEN a Bolivian army ranger fired a pistol shot into the heart of a wounded Ernesto Che Guevara 20 years ago today, he ended the life of Latin America's most renowned revolutionary.

But in so doing, he also created a symbol and legend whose appeal lives on today, albeit a more idealistic image than a practical example.

Che Guevara, so dubbed because of his Argentine origin and the widespread habit here of people *calling each other "Che", is most* popularly-known as a guerrilla leader.

Had he lived, he would have reached the venerable age of 60 next year and he might have dramtically changed the political map of Latin America.

His objective was to mobilise the Bolivian tin miners into a guerrilla army, to overthrow the military government and, from there, to sow the seeds of a Latin American revolution in the neighbouring countries of Peru, Argentina, Paraguay, Chile and Brazil.

His aim added a Marxist dimension to the tradition of earlier Latin American heroes such as Simon Bolivar and General San Martin who fought for the sub-continent's independence from Spain in the 18th century.

But he was betrayed by the Bolivian Communist Party, which refused to support him (Moscow's hand was seen there by some).

And, lacking support from the campesinos, his small guerrilla *group was tracked down* in the southern mountains of Bolivia with the help of the CIA and infra-red imaging devices tested in Vietnam.

He was wounded and captured in an ambush and assassinated the following day, apparently on orders from Washington according to a later account by a Bolivian army officer.

His guerrilla image, however, has obscured another significant and somewhat enigmatic part of his life, which is the subject of a recent book published in Argentina.

It recaps his earlier works as the president of Cuba's Central Bank and later as Minister of Industry during the first six years of the Cuban revolution.

Ernesto Che Guevara (left) seen here with Cuban leader Fidel Castro in the early 1960s.

A doctor by profession (apparently stimulated by his mother's suffering from cancer and his own asthmatic condition), he was none the less well acquainted with the political and economic theories propounded by Marx and Lenin on the problems of *governing and managing* a revolutionary state.

His own development of those ideas became part of a controversy which continues to this day in socialist and communist circles.

His Budgetary System of Fi*nance, introduced when* Minister of Industry, contrasted with a parallel system of production organisation in Cuba, modelled on that of the Soviet Union, known as the Economic Calculation.

In synthesis, the latter theory emphasised the importance of satisfying the material needs of the population. Out of this, it was argued, the gradual transformation of the population's belief and commitment to a communist way of life would grow.

The ideas of financial and material incentives to the workforce to raise production were based on such a model. Che Guevara criticised these as inhibiting the development of a socialist approach to work "which should stop being an arduous necessity and instead be*come an agreeable imperative."*

Such a view "is loaded with subjectivity and requires the test of experience," he wrote in 1964.

He was also in favour of the rapid industrial diversification in Cuba to reduce its dependence on sugar ex*ports. But such a strategy required* export markets and Cuba's political isolation from Latin America, following its rupture with the US in 1961, forced it to depend on Soviet support.

The decision taken by Cuban leader Fidel Castro in 1964 to sign an agreement with Comecon and become its major sugar supplier, put an end to the debate.

The differences did not lead to an open rift, but instead Che left secretly in 1965, having renounced his adopted Cuban nationality and ministerial post.

An interesting postscript is that the communist party of his native Argentina, considered to be one of the most conservative on the continent, only officially recognised its prodigal son at its 16th congress in Buenos Aires last year.

For the first time, the immortal image of his youthful bearded face, with black beret and red star atop, finally achieved its place alongside the wall posters of Marx and Lenin.

US ready to build space station alone

By Peter Marsh in London

THE US will not be deterred from going it alone on its international space-station project if *the country fails to win agree*ment on the scheme from other nations, a senior US space official warned yesterday.

Mr Richard Halpern, director *of space-station utilisation at* the US National and Aeronautics Space Administration, said he hoped agreement on the project could be reached but *that the concluding stages of the* negotiations would be "very difficult."

The US wants to conclude understandings on the space sta*tion with the 13-nation Europe*an Space Agency, Japan and Canada by next month - which is when Nasa is due to hand out some $10bn worth of contracts on the scheme to the US aerospace industry. This would permit work on building the base, which is due to enter orbit in the mid 1990s, to begin early in 1988.

Some two years of discussions between the different countries over the space station have failed, so far, to settle issues *such as how the station would* be managed once in operation and whether the base could be used for military experiments.

"We have committed a plan to *build a space station and are* very interested in the international aspects of the programme," said Mr Halpern yesterday in London, where he was *attending a conference.* "We will go ahead whether we get the agreements (with the other countries) or not."

ESA is due to meet at ministe*rial level in The Hague on No*vember 9 and 10 to ratify its part in the programme. Under outline plans, the US is to spend about $14bn by 1996 building the station, which would house laboratories and accommodation for up to eight people.

Chile strike claims child victim

BY MARY HELEN SPOONER IN SANTIAGO

A *TWO-YEAR-OLD boy* was killed and over 500 people were arrested during a one-day national strike called by Chile's national labour command, an *umbrella organisation of oppo*sition trade unions.

The strike, the first such protest in more than 15 months, was organised to demand higher sal*aries and better* bargaining conditions for Chilean trade unions.

Chilean labour groups are seeking an increased monthly *minimum wage from $45 to $90* per month, plus a 22 per cent overall wage hike and a revision of the labour code to permit negotiations on an industry-wide basis, rather than on the individual company basis which the law currently provides.

Chilean opposition groups have been concentrating their efforts on a voter registration drive and a campaign for free elections to counteract what they perceive as an official propaganda effort towards prolonging General Pinochet's presidency past 1989, the year his *term in office ends.*

The strike call was only partially heeded, as banks, offices and shops in Santiago's central business district were operat*ing normally during the first* half of the day but began closing in the wake of clashes between riot police and anti-Government demonstrators in the vicinity. *Several hundred protesters* gathered near Santiago's Metropolitan Cathedral to sing the Chilean National Anthem, and were dispersed by police firing *tear gas and* water canon.

In a working class neighbourhood in south Santiago, Chilean army troops and riot police broke up demonstrtations by youths who had erected barricades and burned tyres. Witnesses reported that at least three people were injured by rubber bullets.

In a separate incident, authorities reported that a two-year-old boy playing in the doorway of his home in a west Santiago slum was shot and *killed* during an exchange of gunfire between police and unidentified civilians.

Sarney unity call falls on deaf ears

BY IVO DAWNAY IN RIO DE JANEIRO

AN APPEAL by President Jose Sarney of Brazil for cross-party support for a "minimum programme" of action and a government of national unity appeared to be falling on deaf ears yesterday.

Mr Sarney's advisers claim to *have identified a clear majority* in the constitution-drafting Congress who would back the president, but the silence from rival political leaders that greeted his nationwide television broadcast on Wednesday suggests otherwise.

The president's high-risk strategy aims to break the pow*er of party leaders and create a* group in support of his demands for a five-year mandate and a presidential system of government.

However, the tide of political opinion appears firmly in favour of a parliamentary constitution with the specific aim of stripping the president of many of his powers in favour of a *prime minister.*

Mr Sarney's lacklustre presentation of his scheme - spattered with accusations of disloyalty from colleagues and couched in pathos and appeals to patriotism - failed to convince most commentators.

Moreover, while there seems little that is either contentious *or new in the programme, few* expect it to end the increasingly bitter battle for power between the majority Democratic Movement Party (PMDB) and its rightwing rival, the Liberal Front (PFL).

These two principal groupings officially broke off their formal Democratic Alliance coalition last month in a dispute over ministerial appointments. However, there remains a clear majority for parliamentarism on the key committee, now working through a second draft constitution.

If a majority of Brazilian politicians - currently sitting as a constitution-drafting assembly - fail to rally behind Mr Sarney, his powers look certain to be substantially reduced.

Professor David Fleischer of the University of Brasilia said yesterday: "It is like a poker game in which slowly and very politely the politicians are calling the president's bluff."

Over the last month, the emphasis in the cat-and-mouse *struggle for power in Brazil* has shifted from the length of the presidential mandate to the system of government under which it will be exercised.

Strong backing from the armed forces for a five-year presidency - providing for new elections in November 1989 - appears to be insuperable for those advocating a four-year term.

IADB fails to agree on new resources

REPRESENTATIVES of the Inter-American Development Bank (IADB) failed to reach agreement on new resources for the bank for the period 1987-90, putting its lending operations in serious jeopardy, officials said, Reuter reports from Guatemala City.

A meeting of the 12 members of the IADB's board of governors ended on Wednesday without finding ways of ending an 18-month dispute over reforms proposed by the US and rejected by Latin American members.

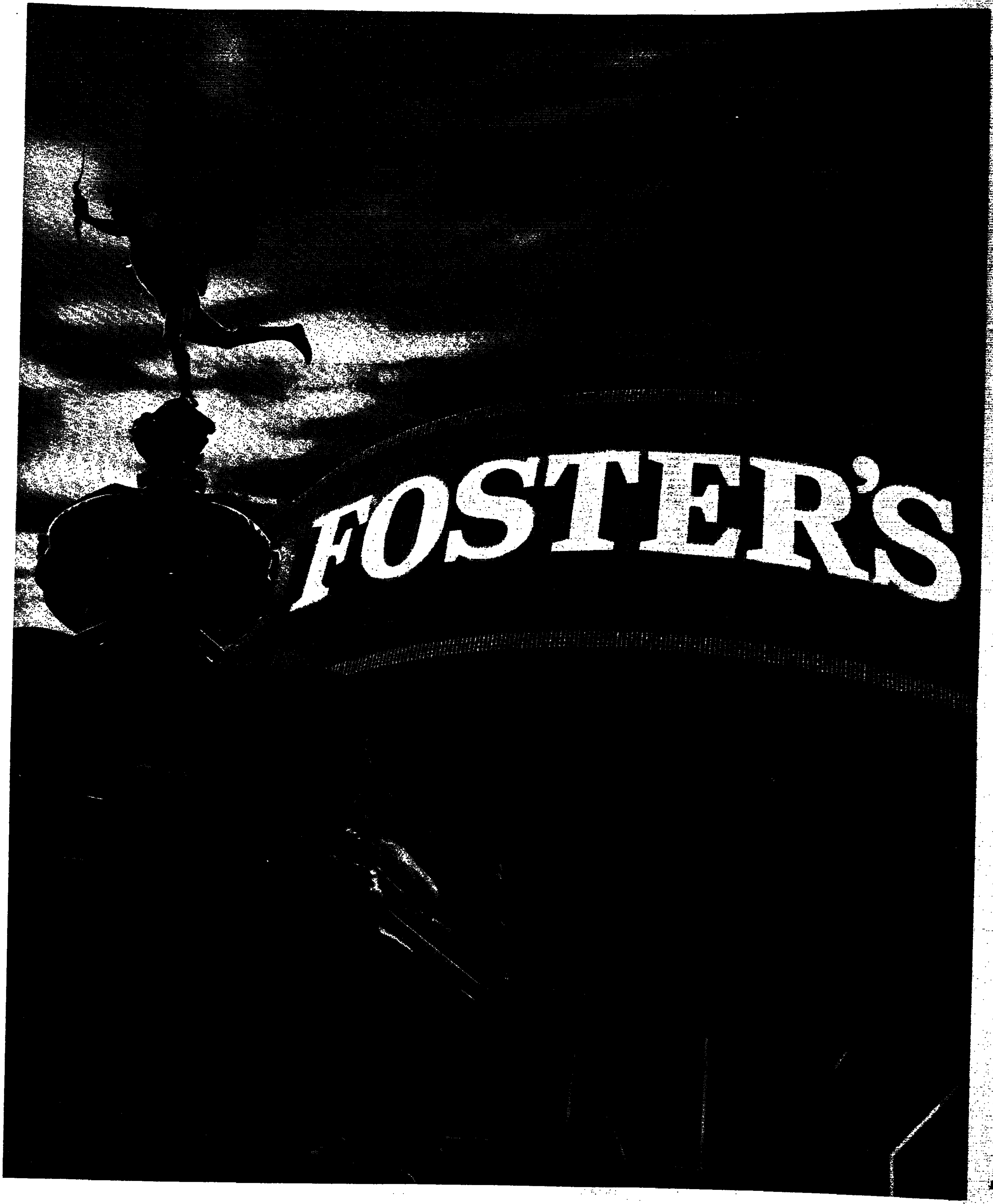
Manley woos investors

MR MICHAEL MANLEY, the former Jamaican Prime Minister and leader of the opposition People's National Party, has completed two days of talks in London in an effort to improve his image with British investors should he win elections due next year, Robert Graham reports. The latest opinion polls in Jamaica show a resurgence of support for Mr Manley and his PNP, giving him a good chance of winning the elections from the ruling Jamaica Labour Party of Mr Edward Seaga.

After seven years in opposition Mr Manley, aged 63, is anxious to demonstrate that he has learned from his past errors which led to serious economic mismanagement and unprecedented political violence in the 1980 elections which he lost to Mr Seaga.

"We are anxious to explain our policies and get rid of misunderstandings," he says. He freely concedes past errors. Among the principal mistakes of the 70s was the PNP trying to do too much too quickly which led to mismanagement, and the alienation of the private sector. This coupled with a too close relationship with Cuba, antagonised the US.

Mr Manley now pledges to work closely with the private sector.



MOST COMPANIES WOULD HAVE BEEN SATISFIED WITH A PAGE IN THE F.T.

UK seeks code of conduct on shipment checks

BY PETER MONTAGNON, WORLD TRADE EDITOR

THE UK would like a new code of conduct covering the activities of pre-shipment inspection companies introduced into the new Uruguay round of multilateral trade negotiations, Mr Michael Johnson, a senior Department of Trade and Industry official, said yesterday.

Mr Johnson, Assistant Secretary for International Trade Policy, noted growing complaints from exporters about inspection companies, particularly concerning delays to shipments and apparently arbitrary price comparison decisions.

Britain believes it would have the support of the EC for a Gatt code because similar concerns had been voiced in both France and Germany, he told a seminar organised by the London Chamber of Commerce.

However, it was reluctant to follow Switzerland's example and ban pre-shipment companies outright.

There was still not enough hard evidence to support such a ban which might cause trade to be diverted via third countries or force inspection to take place in the importing country. This could exacerbate the problem of price verification and increase port congestion in developing countries.

A fresh groundswell of objections to the activities of pre-shipment companies emerged at the seminar where exporters from companies such as Hawker Siddeley, Massey Ferguson and Smith Klein & French Laboratories complained that inspection companies questioned prices previously agreed by international tender, negotiated prices down while exports were effectively in transit, and used unfair comparisons between domestic and export market prices.

The companies themselves deny these allegations or argue that they are a misrepresentation of the facts. Mr Gordon Hutt of SGS Inspection Services stressed the value of inspection in helping to curb capital flight and assuring the efficient collection of customs duties by the importing country.

Mr Ian Campbell, managing director of Caffrey Saunders, and deputy chairman of the British Export Houses Association, meanwhile told the seminar that a Gatt code would be insufficient. "Gatt will take years and years, and in the end all that will emerge will be a wishy-washy compromise," he said.

Exporters would back away from markets which imposed price inspection. The government should require that inspection mandates were fully disclosed. It should also apply diplomatic pressure, for example, to ensure that inspection companies did not cream off fees from inspecting exports financed by British development aid.

On the international front Mr Johnson said much depended on the attitude of the Reagan Administration which had yet to react to an International Trade Commission report revealing widespread dissatisfaction with inspection companies in the US.

The DTI has formed a working party involving all sides which will meet within the next few weeks to start examining the possible content of a Gatt code, he added.

EC goes to court over shipping accord

By William Dawkins in Brussels

THE European Commission yesterday launched a legal attack against a bilateral shipping accord between Italy and Algeria less than a month after it was authorised by member states.

The Brussels authorities have asked the European Court of Justice to block plans by the two countries to set up a so-called shipping conference, giving each others' carriers preferential rights on routes between Algeria and Italy and possibly squeezing out competition from other member states' vessels.

Yesterday's legal action is directed against the Council of Ministers, thereby setting the Commission at loggerheads with member states. The Council, the joint decision making body for EC Governments, last month gave Italy special exemption from recently agreed shipping rules guaranteeing free access to EC ports for all Community registered carriers.

The rules concerned form part of an extensive package agreed by member states last December, guaranteeing the freedom to provide services, opening shipping to free competition rules, outlawing unfair pricing, and giving EC shippers defence against trade barriers set up by non-Community competitors.

Everyone wants his say over accord with US, writes **David Owen** in Toronto

Canadians in full voice over trade deal

THE US-CANADA trade talks and subsequent agreement may have been regarded with deep-seated indifference south of the border. But in Canada, everybody wants their say.

Accordingly, Monday's newswires were clogged with a welter of statements and press releases giving details of reactions to the deal, with everyone from the leader of the federal Liberal party to the Ontario Grape Tender Fruit Producers joining in.

It is abundantly clear from what this motley selection of politicians and special interest groups had to say that Mr Brian Mulroney, the Prime Minister, and his free trade henchmen have a considerable selling job ahead of them. He probably expected as much.

Two of the strongest reactions to the weekend's preliminary agreement came, predictably, from the opposition parties in Canada's federal parliament, both of which pledged to launch nationwide hearings to dramatise the terms of the deal.

Mr John Turner for the Liberals, who is fighting for his political life under charges of indecisiveness, accused Mr Mulroney of putting Canada up for sale and said that his party could cancel the whole deal if he is elected Prime Minister.

The new Democratic Party leader, Mr Ed Broadbent - currently riding high in the opinion polls - meanwhile, called for an election and predicted that the pact would turn Canada into a satellite of the United States.

Ed Broadbent: call for an election

Some provincial premiers also expressed reservations after being briefed by Mr Mulroney on Tuesday. Mr David Peterson of Ontario, Canada's most powerful and populous province, said that his previous concerns have been aggravated since the deal was struck. Mr Howard Pawley of Manitoba and Mr Joe Ghiz of tiny Prince Edward Island, meanwhile, say that they will withdraw their support from the deal if their own grave concerns are not relieved.

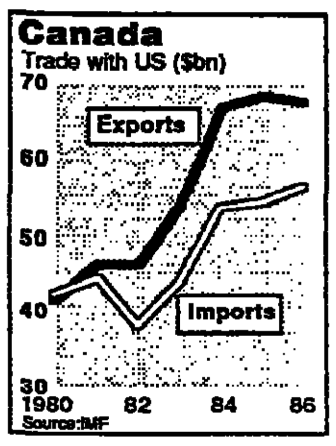
Apart from special groups like the wine and textiles industries both of which will face low-cost competition from the US, the biggest worries concern three main sections of the still vaguely-expressed agreement.

Utmost in Mr Peterson's thoughts is the efficacy of the proposed dispute settlement mechanism, particularly the binational panel intended to replace judicial review in both countries.

For the first five years of its existence, this panel would have the mandate merely to review anti-dumping or countervailing duty orders to determine if a US or Canadian investigating authority made a decision not in accordance with its law. Meanwhile, a substitute system of anti-dumping and countervailing duty laws would be under development. Until this process is complete, the effectiveness with which the binational tribunal will help to ensure Canadian access to lucrative US markets will presumably remain a matter for some conjecture.

Many are also concerned about the deal's effect on the Canadian automotive industry, despite Mr Mulroney's contention that it would strengthen the auto pact which has governed trade between the two countries since 1965.

Mr Robert White, the outspoken president of the Canadian Auto Workers union has charged that the agreement would effectively gut the auto pact by removing the very enforcement mechanisms which have made it effective. "The safeguards (which guarantee Canada a share of auto production based on the number of cars sold there) have no teeth any more," Mr White maintained. "The only way the safeguards were important was if you had a tariff penalty if companies didn't live up to them."



Under the terms of the agreement, automotive trade tariffs, in common with other tariffs, would be eliminated over 5 to 10 years.

The overriding aim of the amendments pertaining to autos appears to be to set up protectionist barriers against further encroachment by foreign carmakers in the North American market. Canada will end all duty remission schemes to entice non-North American car and parts firms to locate in Canada and a rule of origin will be implemented requiring that 50 per cent of a car's production costs be incurred on the subcontinent.

Despite this, Canadians worry that in the impending shake-out widely expected due to chronic overcapacity, the Big Three - Ford, General Motors and Chrysler - may restructure to the detriment of the Canadian sector. While Canadian plants are extremely competitive due largely to the favourable current exchange rate, they add, there is no guarantee that this situation will continue indefinitely.

Criticism has also been levelled at the pact's implications for the energy sector. The agreement envisages the creation of a North American continental energy market, whereby US consumers would be treated as Canadians, even under possible supply rationing. Such an arrangement would have clear strategic advantages for the US and would guarantee market access to Canada - even for uranium.

The NDP's Mr Broadbent argues that these terms will prevent provinces from charging a low price for energy sales at home and a higher price for export sales. For the Liberals, Mr Russell MacLellan adds that Canada would have to supply oil to the US even if it had only enough for its own needs. Mr Don Getty, premier of the major oil producer Alberta, has pronounced himself in favour of the deal in principle, however. Mr Mulroney's main consolation as he confronts his opponents is that, failing a massive groundswell of public opinion against the deal - above and beyond that which has already become apparent - there appears to be little that they can do north of the border to stop it.

Far Eastern nonwovens producers forge ahead

By Alice Rawsthorn

THE FAR EAST is emerging as an increasingly strong threat to the West's dominance of the fast-growing technical textiles industry, according to a new report.

In recent years the production of nonwovens - textiles for technical use in the agricultural, engineering and medical fields - has become one of the most fertile areas of the world textiles industry. Thus far it has been dominated by manufacturers in Western Europe, North America and Japan.

Now China, Taiwan and South Korea sport significant industries. The report predicts that these will continue to expand and to threaten the supremacy of the established Western producers.

There are an estimated 250 nonwoven factories in China, compared with fewer than 100 in Western Europe. Many of the Chinese plants are comparatively crude, but the equipment being installed and the output are becoming increasingly sophisticated.

The report does not envisage that the Western market will be ravaged by imported nonwovens as nonwovens, unlike conventional cloths and clothing, are too bulky to ship cost effectively.

Textile Outlook International, Economist Intelligence Unit, 40 Duke Street, London W1A 1DW.

Taiwanese textiles group to invest in US

By Bob King in Taipei

TAIYUEN Textiles, one of Taiwan's largest fabric manufacturers, plans to invest $50m in a spinning and weaving facility in the US - the first such major investment in the US by a Taiwanese textile company.

Taiyuen says the investment will offer significant savings over manufacturing the same products in Taiwan and shipping them to the US for sale.

'Even though labour is cheaper here, electricity and raw materials are cheaper in the US,' said Mr C.J. Wu, Taiyuen's president.

The move comes as major Taiwanese textile companies are smarting from the effects of the appreciation of the local currency and rising labour costs.

The company has yet to decide whether to build the plant in North Carolina, South Carolina, or Georgia. The project will concentrate on spinning and weaving, and will later add a fabric-finishing plant.

Taiyuen will source roughly three-quarters of the equipment for the new plant from Western Europe and Japan. The US will supply the rest.

Output, which is due to begin in mid-1988, is projected at 1.6m yards a day of unfinished fabric and 750,000 pounds a month of spun yarn. The entire output will be marketed in the US.

Japan tops world in automation systems

BY ALAN FRIEDMAN IN MILAN

JAPAN has more large factory automation systems than any other country, according to a study released yesterday, a week before the European Machine Tool fair opens in Milan.

The study, commissioned by UCIMU, the Italian machine tools association, found there were 102 large flexible manufacturing systems installed in Japan at the end of 1986. The systems included in the study are composed of at least four machine tool or robotics subsystems.

Although the leading systems around the world are found in the vehicles industry, in the US these accounted for only 6.1 per cent of installed systems, which compared with 27.8 per cent of the UK total, 23.5 per cent of those in Italy and 22.8 per cent of those in France.

In the US the highest number of systems - 19 out of 66 or 28.8 per cent of the tota l- were installed in the agricultural and earth-moving equipment machinery sectors. Some 22.7 per cent of the US systems were in the aerospace sector.

LARGE FACTORY AUTOMATION SYSTEMS

Japan	102
US	66
W Germany	50
UK	36
France	22
Italy	17
Sweden	10
Belgium	4

In the UK meanwhile, 22.2 per cent of the systems were in the engine, pump and generator manufacturing sectors, while the aerospace industry accounted for 11.1 per cent of the UK total. The comparative proportion of systems installed in France was 13.6 per cent in the engine, pump and generator sectors and the same percentage in aerospace.

The bi-annual machine tools fair in Milan runs for 10 days from October 14 and will feature 1,650 company exhibitors from 37 countries with 8,000 products. About 300,000 visitors are expected, a third of them from outside Italy.

UK NEWS

British trade unions approach their watershed

Trade union influence in the UK could dwindle to the point where it no longer has any political sway on the affairs of the nation, according to an industrial relations expert. Philip Bassett reports

TRADE UNIONS will cease to be important as a major social institution in Britain if employees lose confidence in them and employers develop an alternative system of employment relations, a leading UK industrial relations said last night.

Mr Ben Roberts, formerly professor of industrial relations at the London School of Economics, said that sooner or later employers would move in the direction of non-unionism - either insisting on unions which were prepared to accept radical reform, or do without them altogether.

Giving in London the 18th annual Wincott Memorial Lecture at the Royal Society of Arts, Prof Roberts said that if employers continued to give the support they currently did to trade unions they would be sustaining a pattern of industrial relations which many employees would like to see changed.

He said: "There are indications that some employers are beginning to realise that this support is incompatible with the achievement of a pattern of employment relations, which not only the Japanese companies have demonstrated, but which will, if developed, enable a much higher level of managerial excellence and employee satisfaction and performance to be achieved."

It would be extremely surprising if unions were to return to the degree of bargaining power and political influence they exerted in Britain between 1940 and 1980, either nationally or at at plant level.

It was even possible that union membership in the UK would dwindle, as it had in the US and France, to the point where unions would no longer exert a significant influence on national affairs.

"It is clear that a growing number of workers in Britain and elsewhere are not convinced that unions are necessarily the best answer to their problems as employees and citizens," he said.

Arguing that the 1980s would be seen as a watershed in British history - historians had given a similar description to the 1880s - Prof Roberts said: "The 1980s have brought a remarkable change in the climate of industrial relations and a dramatic decline both in the membership of trade unions and in their bargaining power and political influence. A process of reshaping our industrial relations systems is under way at all levels."

Pressures had mostly come from outside the current systems - from economic forces and radical ideas given political effect by the determination of a "remarkable" Prime Minister (Mrs Margaret Thatcher) to free the market, energise management, remove exchange controls, and encourage the inflow of foreign companies, especially from America and Japan, ready to introduce new styles of management and patterns of industrial relations.

Trade union membership - even as measured by the "notoriously unreliable and almost certainly exaggerated" statistics provided by the unions - had declined by more than 3m, and the continuing fall in the traditionally heavily unionised sectors of industry had not been offset by increases in expanding sectors of employment.

Prof Roberts added: "The unions have largely failed to organise the rapidly-growing high-technology companies, with some exceptions in Scotland.

"Nor, until recently, have the unions shown much interest in organising the considerably increased numbers of sub-contract employees, part-time workers and self-employed."

Companies in growing employment sectors tended to employ a high proportion of young people and females who had been less interested in joining unions than older male employees.

"The image of unions as bureaucratic organisations, often dominated by militants, whose main aims are political and who espouse violent conflict as an essential feature of trade union tactics, is unattractive to most employees."

Many workers saw themselves as increasingly middle-class, aspiring to lifestyles they felt were not enhanced by traditional union methods.

While there had been, as yet, no concerted attempt in the UK to withdraw from union recognition, as has occurred in the US, Prof Roberts said:

"I detect a growing tendency, especially by line managers and senior executives, to question the extent to which they had conceded to the shop stewards their right to manage shop-floor employees."

In line with this, many British employers were looking with interest at the single-union, single-status, strike-free agreements signed by foreign, often Japanese, companies principally with the EETPU electricians' union.

Referring in the title of the lecture - 'Eric Hammond's Cherry Tree: the Morphology of Union Survival' - to the EETPU general secretary and the symbol planted by him at the Hitachi plant in South Wales with which the union has such a deal, Prof Roberts said that the system of industrial relations characterised by such agreements was a "major challenge" to the outdatedness of old concepts of industrial relations in the UK.

It was an issue of importance for the whole of society: "the appropriateness of a system of industrial relations based on the assumption that there is an inherent conflict of interest between employers and unions, based upon class or occupational interests to whom employees owe a greater loyalty than to the enterprise for which they work."

The style of these agreements, though, had aroused deep suspicion among the unions, and the Trades Union Congress was now embarking on a review of overall union attitudes towards them.

"I do not believe the TUC will be able to bridge the differences between the unions, which run deep. The most that is likely to be achieved is some compromise that will avoid the disaffiliation of some unions, but do little more to resolve the fundamental problems," he said.

What was required was some means by which - on non-greenfield sites - the present system of multi-unionism, costly and inefficient to employers and unions, could be converted into single-unionism.

"The ball is really in the court of the employers; if they were to insist generally, as one or two have done, that henceforth they will recognise only one union for all employees who wish to join, the unions would be under a pressure they would find hard to resist, and they would have to come to terms with a long overdue reform of trade union structure."

One method, as practised in the US, might be to allow union members to determine on the basis of a majority in a secret ballot which union should be recognised.

While this would clearly bring problems for unions, the transition could be helped by appropriate mergers and by "joint compensating withdrawals from particular bargaining units, possibly arranged through the TUC." But such a result would not be achieved without employer pressure.

Meanwhile, the Government was pressing ahead with further reforms in employment law, and Prof Roberts - who virtually alone among industrial relations academics supported the Conservatives' 1971 Industrial Relations Act - urged it to make the enforcement of closed shops completely unlawful, and to put into effect the "strong case" for limiting strikes in essential services, on which the Conservatives' 1983 general election manifesto promised - so far unrealised - it would consult.

For the unions, he endorsed as a matter of "great significance" the increasing move by unions towards the provision of more services for their members, although he asked: "Will turning themselves into super insurance organisations servicing the whole life of their members necessarily be a successful formula for the revival of their fortunes?"

Such financial services were costly to fund, especially in an extremely competitive market, and it was likely that such services provided by unions could not be supplied on sufficiently favourable terms to persuade non-members that they should join a union because of their value.

However, they would "have an influence on the ideology and behaviour of the unions as their members become increasingly aware that the bargaining role might be in conflict with the financial services which the unions have supplied."

In a lecture which also described and analysed the post-war changes in industrial relations and trade unionism before the the Conservative Government of 1979, Prof Roberts said in summary: "The survival of the unions will depend in the long run on their ability to develop a new and relevant role, on whether employers wish to keep them alive, and on whether a future government is going to be unwise enough to attempt to bring about a restoration of their power

He concluded: "In my view, if employees lose their confidence in unions, and employers offer through a participative system of employment relations an alternative which will satisfy employees that their interests are protected, then unions will continue to decay and will eventually cease to be important."

Mr Hammond's Cherry Tree: the Morphology of Union Survival. 18th Wincott Lecture 1987, by Professor B. Roberts. Occasional Paper 76, Institute of Economic Affairs, 2 Lord North Street, London SW1P 3LB. £1.50.

Economy will grow 4% this year, says Lawson

BY PETER RIDDELL, POLITICAL EDITOR

THE BRITISH economy will grow by a faster-than-expected 4 per cent this year, Mr Nigel Lawson, the Chancellor of the Exchequer forecast yesterday. He warned, however, that this could not mean any relaxation of public spending restraint.

This growth forecast compares with a 3 per cent rise projected in last March's budget and would be the best performance for 14 years. Mr Lawson claimed that the British economy had been 'transformed'.

He was speaking to the Conservative Party conference in Blackpool, reflecting the generally self congratulatory and buoyant tone of most ministerial speeches which have stressed the recovery in Britain's economy and political authority since 1979. This point was underlined yesterday by Mr Geoffrey Howe, Foreign Secretary, who received an unusually long and warm ovation, and also by Lord Young, the Trade and Industry Secretary, who closed by claiming that 'Great Britain is great again.'

This theme will be taken up this afternoon by Mrs Thatcher in her end-of-conference address when she will emphasise the need to press ahead rapidly with further radical changes, notably in social policy and the inner cities

The conference has been marked by a widespread recognition by minister that Mrs Thatcher is likely to remain leader until at least the next election. During a BBC television interview, Mr Lawson described this as 'the best bet'. He also admitted that there was 'a limit' to the time any person should be Chancellor, saying 'there are still one or two things I would like to do'.

The only qualification to the general euphoria came yesterday from Lord Whitelaw, the leader of the House of Lords. Speaking at a fringe meeting he warned that the Government could face defeat in the Lords over the next year on certain aspects of its legislation notably parts of its housing and education Bills affecting charitable trusts and the inner London boroughs, respectively.

He stressed the role of the Lords as a revising chamber and said that when there was strong feeling it might occasionally be right for the Government to be beaten from time to time

After the buoyancy of the conference Lord Whitelaw will begin chairing next week the Star Chamber arbitration committee to settle this year's public spending review. Bilateral meetings between spending ministers and Mr John Major, the Chief Secretary to the Treasury, have continued at Blackpool, leading to some reduction in the excess bids from the figure last weekend of £3.5bn to £4bn.

The three departments which will almost certainly go before the Star Chamber are defence, education and health and social security and possibly the regional aid budget, depending on discussions in the next few days. While this is a smaller number of departments than in recent years the remaining problems are regarded as quite difficult by affected ministers.

In his speech Mr Lawson stressed that 'public spending has (since 1983)taken a smaller share of the national income-the longest sustained fall for a generation. That restraint has been crucial to our success and you can be sure that we will stick to it'.

Treasury ministers were yesterday keen to stress that even though the faster growth in the economy means that the target of reducing public spending's share in national income can more easily be achieved that does not mean a general relaxation in public spending control.

Conference reports, Page 13;Lex, Page 28

Rail standards linked to cuts

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE OFFICIAL consumer watchdog for British Rail has added its voice to the growing chorus of criticism of the effect of subsidy cuts on rail services.

The Central Transport Consultative Committee, which has a statutory duty to monitor BR services, has sent Mr David Mitchell, the Transport Minister, a 13-page dossier of evidence of a direct link between subsidy cuts and cuts in services.

But Mr Mitchell has rejected the committee's call for a review of policy on subsidies.

The dossier gives details of cuts in services, rolling stock, track and staffing which the committee believes are directly related to reductions in central government grants.

The principal rail subsidy has been cut by 25 per cent in the past three years to £712m this year, and is scheduled to fall by a further 25 per cent by 1990.

In addition, the entire InterCity network is to be excluded from subsidies from the end of this year, despite BR's admission that it is unlikely to break even before 1991.

Both the Government and the British Railways Board have repeatedly denied that the cut in subsidies is having any effect on the quality of service.

The release of the dossier is likely to embarrass the Government, however, because it makes clear that lower subsidies are frequently cited by local BR management as the explanation for cuts in services.

It also follows separate investigations by the House of Commons Transport Committee and the Monopolies and Mergers Commission, both of which indicated that an improvement in services was likely to depend on an increase in PSO grants.

Mr Mike Patterson, secretary of the committee, said the evidence collected by the committee had received "a very negative response" from Mr Mitchell.

Builders face action over payment clauses

By Andrew Taylor

SPECIALIST construction contractors with a combined annual turnover of £2bn are threatening court action against some of Britain's biggest building companies which they claim are inserting payment clauses into sub-contracts which cannot be lawfully enforced.

The Confederation of Construction Specialists representing more than 400 companies yesterday published a list of 41 construction groups which they say do not use standard construction industry contracts and insert "pay-when-paid" clauses into sub-contracts.

The confederation claimed there was no legal support for construction groups using pay-when-paid clauses to withhold payments from sub-contractors until the main contractor had itself first been paid by the client.

It offered to share costs with members who wanted to bring a test case against a main contractor operating "unlawful and unfair" contract conditions.

Mr John Huxtable, the confederation's chief executive, said it had also written to the chairmen of Wimpey, Bovis and Laing, three of the country's largest construction groups, appealing to them to drop pay-when-paid clauses and other onerous non-standard contract clauses.

Ford UK unions prepare substantial wages claim

BY JIMMY BURNS, LABOUR STAFF

FORD UK's unions plan to submit a substantial pay claim today on behalf of the company's 35,000 manual workers which may have ramifications throughout the engineering industry.

The company's current two-year pay deal, which expires next month, gave workers rises of between 16 and 18 per cent in the face of uncertain market projections.

Union officials believe they are now in a substantially stronger position to negotiate for significant improvements given the company's strong trading position.

The unions also claim that the salaries of Ford UK manual workers have fallen behind those of other companies in the motor industry in spite of record productivy increases over the past two years.

Significantly, the unions representing the manual workers will not specify initially what pay increases they are looking for. But union leaders indicated privately yesterday that they would not be adverse to a three-year pay deal possibly involving far-reaching changes to working conditions as long as this was accompanied by adequate improvements in basic pay and fringe benefits.

As part of a future pay package, manual workers are understood to want the harmonisation of their terms and conditions with those of 9,000 white-collar workers employed by Ford UK.

This would involve a shorter working week, monthly salaried pay, and similar pensions and holiday entitlements as white collar staff.

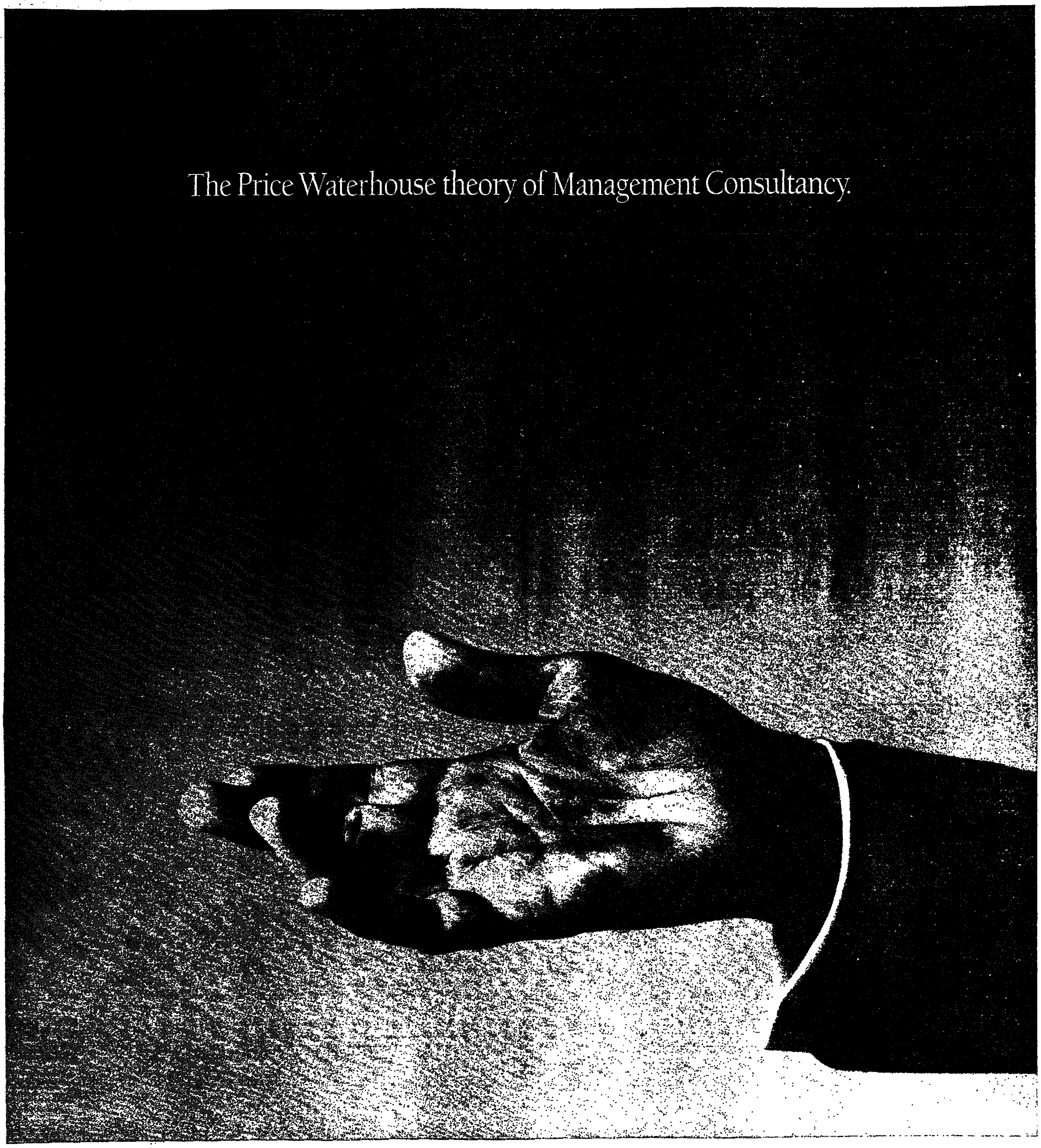
The Ford manual workers' talks begin against the background of the rejection last week by the Transport and General Workers Union of a draft agreement reached with the Engineering Employers Federation on increased flexibility in exchange for a cut in the working week.

Unions representing the company's white-collar workers yesterday urged the company to establish a training fund paid for by a 5 per cent levy on its pre-tax profits as part of their latest 10 per cent pay and conditions claim.

Ford yesterday said that it did not wish to comment on the union pay claims until next month.

However it has previously indicated that it was interested in introducing a training fund financed by contributions from employees and the company.

Ford introduced such a fund in the US five years ago where it is controlled by a joint board of management and union officials.



History has shown that there is only one kind of solution to a problem. A solution that works.

Successful people in any walk of life will tell you that though theory is always important, there can never be a substitute for practice.

And we at Price Waterhouse are renowned for our commitment to practice. We call it getting our hands dirty. It means that when you call us in we don't just leave you with a document full of theory, however well meaning.

Instead we make sure that whatever we are recommending will actually work. To the point where, if you would like us to, we will help you implement our recommendations.

Our clients range from the largest to the smallest, in both public and private sectors. (Sometimes it is the smallest who find they need more of our time.)

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In all these areas our recommendations are thorough and concise.

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In theory, of course, we could earn our living simply by advising and not doing. In practice, we don't.

Price Waterhouse

Notice of Redemption
To the Holders of

sdr

Sociétés de Développement Régional France

DM 100,000,000
6 ¼ % Bearer Bonds of 1977, due 1983–1992
– Security-Index-No. 471 791/800 –

Drawn for Redemption on
December 16, 1987

Notice is hereby given that, pursuant to Article 3 of the Terms of Issue, on Spetember 15, 1987 the fivth series of Bonds in the principal amount of DM 10,000,000 was selected by lot for redemption on December 16, 1987 in the presence of a Notary Public.

The Bonds selected for redemption are those of the
Series 9
Security-Index-No. 471 799
bearing the following serial numbers:
40,001 – 45,000 of DM 1,000 each
and
54,001 – 54,500 of DM 10,000 each.

Payment of Bonds selected for redemption will be made at par on and after December 16, 1987, upon surrender of said Bonds with all unmatured interest coupons appertaining thereto according to Article 5 of the Terms of Issue:

a) in the Federal Republic of Germany including Berlin (West) at
Bayerische Vereinsbank Aktiengesellschaft, Munich,
Dresdner Bank Aktiengesellschaft, Frankfurt am Main,
Vereins- und Westbank Aktiengesellschaft, Hamburg,
and their branches;

b) outside the Federal Republic of Germany at
Banque Nationale de Paris, Paris,
Banque Paribas, Paris,
Société Générale, Paris,
Société Générale Alsacienne de Banque, Strasbourg,
by a DM cheque drawn on a German bank or by credit to a DM account

with due observance of the foreign exchange regulations, if any, of the relevant country.

Interest on the Bonds selected for redemption shall cease to accrue at the end of the day immediately preceding the redemption date. The amount of any missing interest coupons shall be deducted from the principal amount.

Notice

Several Bearer Bonds of the series 7, 1, 4 and 2, called for redemption on December 16, of the years 1983, 1984, 1985 and 1986, have not yet been presented for payment.

Lyon, Strasbourg, Lille, Nantes, Rouen,
Besancon, Reims, Nancy, Montpellier, Rennes,
Amiens, Marseille, Limoges, Bordeaux,
in September 1987

Société de Développement Régional fu Sud-Est
Société Alsacienne de Développement et d'Expansion SADE
Société de Développement Régional du Nord et du Pas-de-Calais
Société de Développement Régional de l'Ouest SODERO
Société de Développement Régional du Normandie
Société de Développement Régional du Centre-Est CENTREST
Société de Développement Régional de Champagne-Ardenne CHAMPEX
Société de Développement Régional de Lorraine LORDEX
Société de Développement Régional du Languedoc-Roussillon SODLER
Société de Développement Régional de la Bretagne
Société de Développement Régional de Picardie S.D.R. PICARDIE
Société de Développement Régional Méditerranée
Société pour le Développement Economique du Centre et du Centre-Ouest SODECCO
Société de Développement Régional du Sud-Ouest EXPANSO S.D.R.

FT LAW REPORTS

Ex-employee restrained from using information

JOHNSON & BLOY (HOLDINGS) LTD v WOLSTENHOLME RINK PLC

THE COURT will grant an employer an interlocutory injunction to restrain his ex-employee from using information pending trial, though there is no possibility of competition, if there is an arguable case that it is confidential information or a trade secret which he is entitled to protect, and which will be lost without the aid of an injunction.

The Court of Appeal so held when allowing an appeal by Johnson & Bloy (Holdings) Ltd and Johnson & Bloy Ltd, from Mr Justice Whitford's refusal to grant them an injunction restraining defendants, Wolstenholme Rink plc and Mr Paul Fallon, from using or disclosing what Johnson claimed to be trade secrets or confidential information, pending trial of the action.

LORD JUSTICE FOX said that Johnson manufactured a gold offset printing ink. Wolstenholme used to supply it with one of the ingredients. Mr Fallon was a director and employee of Johnson.

In 1987 Wolstenholme attempted to take over Johnson, but failed. It then sought to obtain the services of Johnson's employees. Mr Fallon agreed to join it. He set about gathering confidential material to take with him. A good deal of material was removed from Johnson's premises.

Johnson obtained an Anton Piller order requiring Wolstenholme and Mr Fallon to deliver up documents believed to have been taken away. Wolstenholme and Mr Fallon asserted that no documents had been removed, tried to impede the search, and attempted to destroy documents. A number of documents were discovered and delivered up.

Johnson did not accept that a full delivery had been made. It seemed that Mr Fallon had deposited documents with his father, consisting of formulations for inks including gold offset printing inks, and formulations for what were called "intermediaries" for the preparation of such inks. Mr Fallon admitted that this was something he was not entitled to do.

The case was primarily concerned with an intermediary for gold offset inks called a drier. Johnson said its constituents were unique and were a trade secret - and if not a trade secret, they were confidential information.

Johnson's case was that what made its products special was the combination of ingredients to produce a drying agent, and disclosure of the combination would enable a competitor to compete effectively.

Mr Fallon took with him all the cards on which the formulation of the inks were recorded, together with a code book which helped resolve formulation details, and certain manuscript notes.

Johnson moved for an interlocutory injunction to restrain Wolstenholme and Mr Fallon from making use of what were said to be trade secrets or confidential information.

The injunction sought was to restrain using or disclosing information in the documents, the formulation, and quantities of ingredients, and the particular trade secrets.

MR JUSTICE WHITFORD declined to grant an injunction. Instead he accepted an undertaking that until judgment the defendants would not use or disclose any of Johnson's documents.

He said that without the precise formulation there was no possibility of effective competition by misuse of the confidential information, and the undertaking was adequate to protect Johnson's interests until judgment.

The judge did not pose the right question. The question was not whether there was no possibility of effective competition until trial, but whether secret or confidential information, which Johnson was entitled to protect, would be lost without the aid of an injunction.

The judge therefore misdirected himself and the matter was at large before the court.

On the appeal Johnson asked for injunctions to restrain (a) disclosure or use of the information that certain ingredients might be used in the manufacture of an ink and drier, or (b) manufacture of an ink containing those ingredients.

Applying *Cyanamid* principles, the first question was whether Johnson had an arguable case for relief at the trial.

In *Roger Bullivant [1987] FSR 182*, Lord Justice Nourse said that actionable misuse of confidential information might fall into one of two distinct classes.

The first was trade secrets or equivalent, which might not be used by an employee during or after employment, except for the benefit of the employer.

The second was information which, though not trade secrets, must nevertheless be treated as confidential by the employee in the discharge of his general implied duty of good faith to his employer. If such information was inevitably carried away in the employee's head after the employment ended, it might then be freely used for his own benefit or for others.

Johnson had an arguable case that the information regarding the drier was a trade secret or equivalent. It had deposed that the key to certain of the inks lay in the choice of materials and particular blending. The method of producing the gold ink was not unique, but the formulation processes of intermediaries were.

There was no evidence that that was ill-founded. In the circumstances Johnson had an arguable case and raised serious issues to be tried, as to whether the composition of the gold ink was a trade secret in respect of the combination of materials.

Further, there was an arguable case for protection in respect of confidential information even if the matters claimed as trade secrets were not trade secrets.

Thus far Johnson would be entitled to an injunction restraining the defendants, not merely from using their documents, but also from using information referred to in the documents relating to the nature of the trade secrets claimed.

Simply to limit restraint to the precise details of the formulae was not adequate, since it would or might enable the restraint to be avoided by small variations in the percentages of the constituents.

Mr Silverleaf for the defendants said that to restrain them in such a manner would be unduly burdensome on Mr Fallon, in that it might prevent him using chemical knowledge acquired through work or training of which he could not rid himself.

The court had to be careful not unjustly to fetter the ability of an ex-employee to compete, but the difficulties in which Mr Fallon found himself were essentially of his own making, through improper removal of the documents.

The court had to consider not merely his position, but what was necessary for Johnson's proper protection in relation to what were arguably trade secrets. If they were found to be trade secrets at trial, they constituted information vital to the effective continuation of Johnson's business.

The balance of convenience was that Johnson were entitled to protection by injunction until trial.

The appeal was allowed and an injunction granted.

LORD JUSTICE PARKER agreeing, said that Mr Silverleaf accepted that Johnson was entitled to protection for the precise formulation. But, he said, they had no right to protect the mere combination of ingredients without regard to percentages, since Mr Fallon must inevitably have taken away knowledge of that combination in his head when he left, and he could not expunge it from his mind.

The matter might be tested very simply. Somebody might hit on the combination of two ingredients after many years of research which produced an immensely valuable result wholly unknown to anybody else.

He would have no difficulty in holding that knowledge in his head and inevitably carrying it away with him. But it could not be regarded as part of his ordinary skill and experience. It was a secret, whether or not it was carried away in his head, or if not, it was arguably a secret.

On the evidence as it stood, it was arguable that both the combination of the ingredients and the precise formulation were trade secrets or equivalent.

Even if they were not, if an employee was sufficiently ill-advised to remove his employer's property when he left and that property contained information which had been confidential during his employment, he might by reason of his own wrong be restrained from doing something which, but for that wrong, he might be entitled to do.

The appeal was allowed.

For Johnson: Gavin Lightman QC and Graham Shipley (Gouldens)

For the defendants: Michael Silverleaf (Allen & Overy)

By Rachel Davies
Barrister

THESE REPORTS are published in volume form with the full text of judgments. For subscription details contact Kluwer Law Publishing, Africa House, 68 Kingsway, London, WC2B 6BD. Telephone 01-831 0391

UK APPOINTMENTS

Treasurer at ICI

Mr David Parrish has been appointed corporate treasurer at ICI with prime responsibility for finance in the Americas region. Before joining ICI, Mr Parrish held senior posts with Union Carbide Corporation in Hong Kong, Japan and the US. **Mr Bernard Rissick**, an ICI corporate treasurer, has been appointed corporate finance manager - acquisitions.

*

Mr Nicholas Hood has been appointed to succeed **Mr Malcolm Anson** as chairman of WESSEX WATER AUTHORITY. Mr Hood was a director ofthe H.A.T. Group and chairman of Planned Maintenance Painting.

*

Mr Colin Bridger has joined the board of EGERTON TRUST followingthe company's acquisition of G. Percy Trentham. He will continueas managing director of Trentham. **Mr Frank Sanderson**, chairman, and **Mr Bill Esplen**, finance director of Egerton Trust, have joined the board of Trentham. **Mr Swraj Paul** has resigned as a non-executive director of Egerton Trust. He is chairman of Caparo Industries which has a shareholding in Egerton. **Mr James Leek**, managing director of Caparo Industries, remains a non-executive director of Egerton.

*

Following the return of **Mr Masao Yuki** to Japan, **Mr Yuji Shirakawa** has been appointed chairman of THE NIKKO SECURITIES CO. (EUROPE), based in London. **Mr Koji Koike**, formerly head of the international underwriting division in Tokyo, becomes vice-chairman in London.

*

JOHNSTONS OF ELGIN has appointed **Mr James Sugden** as sales and marketing director and **Mr Hugh Brown**, currently company secretary, as financial director.

*

Mr Leslie Robinson has been appointed director of the SOUTH BUCKS & EAST BERKS CHAMBER OF COMMERCE & INDUSTRY in succession to **Mr B.W. Goodyear** who is retiring.

*

Mr John Philbin, currently group chief accountant and finance director of Economist Publications, is to be finance director of IPC MAGAZINES from January 1. He will take over from **Mr Peter Ransome**, finance director of the Consumer Publishing Group, who has been acting finance director of IPC Magazines. From January 1 Mr Ransome will continue as finance director of the Consumer Publishing Group until, his retirement next year.

*

Mr Stephen Alexander has been appointed a director of Gamlestaden, London. He was with Michael Roscoe, Alter & Co.

*

Dr John Liverton has been appointed to the board of JONES & SHIPMAN as technical director.

*

Mr David Williams has been appointed sales and marketing director of P C. HENDERSON. He was sales and marketing director of Briton Chadwick.

*

ERNST & WHINNEY has appointed **Mr Robin Wilmington** as divisional director international of the newly-formed subsidiary, Ernst & Whinney Life & Pensions. He was with Lacomp.

*

SENIOR ENGINEERING GROUP has appointed **Mr Dan McFarlane** as deputy chairman in addition to his present post as group managing director.

*

Dr David Moran has been appointed a vice president of AIR PRODUCTS EUROPE INC., Walton-on-Thames, Surrey. He comes from the Allentown, Pennsylvania, headquarters where he was vice president and general mamanger, engineering and manufacturing, process systems group.

*

YAMAICHI INTERNATIONAL (EUROPE) has appointed **Mr Haruo Sato** as chief executive. He takes over from **Mr Hitoshi Ishihara**, who has been made managing director, Yamaichi Securities in Tokyo.

*

PEARL ASSURANCE has appointed **Mr Stephen Connock** as general manager human resources. Joining in mid-October he succeeds **Mr Bill Flack**, who is retiring in January. Mr Connock is a senior personnel executive with Philips electronics.

*

Mr Ralph Quartano, chairman of PosTel Investment Management, has joined the board of CLERICAL, MEDICAL AND GENERAL LIFE ASSURANCE SOCIETY as a non-executive director. He is a deputy chairman of the Securities and Investments Board, a director of Britoil, and Investors in Industry. He is a member of the City advisory group of the CBI and of the capital markets committee.

*

Mr L.N. Marden, a consultant with Willis Faber, Stewart Wrightson, has been elected president of THE CHARTERED INSURANCE INSTITUTE for 1987/88. **Mr M.K. Bewes**, assistant general manager, Guardian Royal Exchange Assurance, has been elected deputy president.

*

Mr Bill Goldfinch, managing director of AVO International, has been elected 1987/88 president of GAMBICA.

*

BARCLAYS DE ZOETE WEDD has appointed **Mr Leslie Goodman** as a director in the corporate finance department. He was a director with Hill Samuel & Co.

UK NEWS

Audit Commission warns Baker on school costs

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

PUBLIC SPENDING is in danger of rising steeply unless the Government tightens its proposals for educational change, the Audit Commission told Mr Kenneth Baker, the Secretary for Education, yesterday.

It said in its reply to his consultative papers on the proposals that the greatest risk to taxpayers' pockets was a waste of money through a slowing of the closure of under-used secondary schools. But it also gave warning of other potentially costly weaknesses in Mr Baker's plans.

The commission, which covers local authorities in England and Wales, is particularly concerned about the plans to delegate the financial management of schools to their heads and governors, to allow popular schools to increase their rolls to their maximum physical capacity and to enable successful schools to opt out of local authority control if their governors and pupils' parents so wish.

Such changes would require head teachers and government to have strong managerial skills at present in very short supply, the commission said. The proposals also left room for cost rises through who-decides-what disputes between schools and local authorities, duplication of administrative work, and inadequate auditing of schools' expenditure.

But the commission claimed that the biggest potential cost lay in further delays in closing schools made uneconomic by falls in the 11-to-18-year-old population, although most local authorities are already too slow to take such schools out of service. It has been officially estimated that unjustified delays in closure cost taxpayers in England alone about £350m between 1982 and 1985.

"There is a risk that local authorities will not propose schools for closure if they suspect that schools so scheduled will then try to opt out," the commisssion said.

The expense of such delays was illustrated by the fact that if a secondary school's yearly intake fell from 180 pupils to 150, its teaching costs per head could be expected to rise by 5 per cent and other expenses by perhaps 15 per cent.

"Even a rise of 1 per cent in total educational spending by local education authorities would amount to £120m."

The commission had identified two ways of countering the danger of further delayed closures. One was for Mr Baker to include in his new Education Bill - due to be introduced in Parliament next month - a tough efficiency standard that schools would have to achieve before being allowed to opt out of local-authority control.

The second way was to phase in the proposed changes over "a lengthy period".

The commission added that if neither option was acceptable to ministers and local education authorities could not make rapid cuts in their central costs, considerably increased public spending on education would probably be needed.

Space fund ceiling 'will harm science'

By Peter Marsh

A REFUSAL by Britain to increase spending on space research would harm the country's efforts in many areas of science and technology, Mr Roy Gibson, former head of the British National Space Centre, said yesterday. He resigned in August because of lack of ministerial support for his plans.

He said poor prospects for research projects would follow because of links between space technology and other areas of science such as telecommunications, electronics and materials.

He said: "If there is one single mistake the Government has made it is to consider the space business as an appendix where it does not matter if you have it or you don't. They [ministers] have got it wrong; space technology should be considered as a vital organ."

Mr Gibson, speaking about the reasons behind his sudden resignation, said he still hoped the Government would reverse its opposition to increasing Britain's annual civilian space budget, which stands at about £100m.

Ministers are reviewing space plans over the next few weeks before a meeting in The Hague next month to arrange a co-ordinated west European space programme for the next decade.

At the meeting, ministers from the 13 nations in the European Space Agency will decide whether to raise budgets to fund ambitious programmes including a manned laboratory to dock with a planned US space station, also the Hermes mini-space shuttle.

Mr Gibson said that when he became head of the newly created British space centre in November 1985 he had been fairly certain of cabinet support. He said: "It had never occurred to me that everything [in deciding space policy] would be so vague."

Mr Gibson, after campaigning for at least a doubling of Britain's space budget over the next five years, was rebuffed in July by the Prime Minister. She announced a freeze on spending for the immediate future.

Mr Gibson said: "If Mrs Thatcher sticks to this line, Britain's efforts in science and technology will be very much the worse for it."

He said that until now he had been constrained from giving his views in detail because he had been a member of the Civil Service, which he formally left last week after serving his notice.

Cash crisis threatens Liverpool

BY ALAN PIKE, SOCIAL AFFAIRS CORRESPONDENT

THE CONTROLLING Labour group on Liverpool City Council was meeting to elect a new leader last night amid warnings that the troubled city may be moving towards another financial crisis.

Mr Harry Rimmer, leader since a new moderate-controlled Labour administration took over after the May elections, resigned this week when he was defeated in the Labour group on plans to tackle Liverpool's budget deficit.

Business and community leaders on Merseyside regard the loss of Mr Rimmer as one of the severest possible blows to Merseyside's attempts to overcome the negative image gained under Liverpool's previous Militant-led council.

Mr Rimmer had worked to re-open a dialogue between Liverpool and the Government that disappeared during the period of Militant control. He had encouraged political, business and religious organisations in the city to unite in support of economic and social regeneration. There is some evidence that this was beginning to pay off in increased industrial and commercial confidence.

The issue that brought about Mr Rimmer's resignation was a disagreement within the city council Labour group over how to deal with a projected £41m shortfall between Liverpool's government-set expenditure level of £307m and the council's spending plans for the coming year.

Mr Rimmer believed the Government could not reasonably expect the council to take out that amount of planned expenditure in a single year. He therefore proposed that the council should appeal to the Government to reconsider its targets under the Department of the Environment's redetermination procedures.

Mr Rimmer resigned after his strategy commanded only six votes in the 51-strong Labour group, which has a majority of three on the city council over a mainly Liberal opposition. Most Labour councillors believed that an application for redetermination was too dangerous in case Mr Nicholas Ridley, the Environment Secretary, used it as an opportunity to impose further financial restraints on the city.

The majority in the Labour group, most of whom are either moderate or soft-left in terms of Labour politics, think it will be possible to find sufficient economies in Liverpool's budget to avoid both an application for redetermination and a financial crisis.

Business and community leaders fear that this hope will fail, bringing Liverpool into fresh confrontation with the Government by early next year. Liverpool's previous Labour administration came to an end with 47 councillors being disqualified and surcharged after they did not set a rate on time.

Rt Rev David Sheppard, Anglican Bishop of Liverpool, said the new Labour council had come to power with an impossible inheritance.

Chemicals merger

BRENT CHEMICALS is merging its Ardrox and metal finising divisions into one business supplying chemicals for treating metal and other surfaces.

The business, to be called the surface treatment division, will have joint sales of £45m and operations in Europe, North America and the Far East.

The company said the formation of a single division would remove the overlap in products that had developed as a result of the company's expansion.

Sunday paper in sales drive

BY RAYMOND SNODDY

MR OWEN OYSTON, the Lancashire millionaire who saved the News on Sunday from closure earlier this year, is planning radical moves to try to boost the circulation of the ailing newspaper.

Mr Oyston is hoping to persuade the Transport and General Workers Union and other large unions to take out bulk subscriptions to the left-of-centre Sunday newspaper and distribute copies free to members.

Presentations of the plan are expected to be made to union leaders next week.

Although the News on Sunday was launched with about £6m raised from unions, Labour-controlled councils and private individuals, those involved point out the paper is being supported by only a fraction of trade unionists.

Circulation is stable but at the low level of just over 130,000 copies, far below the break-even point, although little is being spent on promoting the paper.

Losses of the paper are being met on a weekly basis by Mr Oyston and the TGWU in equal proportions, although it is believed a long-term business plan has been put before the board.

Details of the subscription plans are still being worked out. One possibility is that the TGWU would simply subscribe for a large number of copies for distribution.

Another possibility is that TGWU or other union members would use a voucher to get the News on Sunday free from newsagents who would then be reimbursed by the unions involved.

The hope is that such a plan would get the paper more widely read in what ought to be its natural constituency and that advertising revenue would rise on the back of increased circulation.

The News on Sunday was launched in April but ran into a cash crisis soon after and the receivers were called in during June.

Lucy Kellaway on the electricity board that must glow with pride

Power to the customer service

OFFICIALS AT East Midlands Electricity must have glowed with secret pride when Mr Cecil Parkinson told Conservatives in Blackpool on Wednesday that he was considering "radical new ideas for guaranteeing better standards of service" to electricity consumers.

For those radical new ideas, which Mr Parkinson said might include rebates and vouchers for customers receiving tardy or inadequate service, are the very same schemes that East Midlands has been pioneering.

Since 1985 the board has been introducing a system of performance targets backed up by self-imposed penalties if they are not met. So far the guarantees include:

- Electrical appliances will be repaired within three days of the request being made or the board will waive its labour costs in carrying out the work.
- Installation of electrical equipment will be carried out on the promised date, or the customer will receive a 5 per cent rebate on the bill.
- Work on moving meters and cutting off supplies will be started within 15 days of receiving the order or charges will be reduced by 5 per cent.
- Appliances bought from board shops will be delivered on the date promised at the time of purchase, or the customer will get an apology and a £5 voucher.

According to the board all schemes have succeed in improving its services. In the first three it has failed on just 16 occasions at a total cost of less than £600.

It has had more difficulty in delivering appliances on time and, since the scheme was introduced in January this year, more than 14,000 disappointed customers have been appeased with £5 vouchers. However, even that service has improved as a result of the scheme and the failure rate has been cut from 1.7 per cent to 0.4 per cent, the board says.

The cynical view of such a high rate of success would be that the targets are too unambitious, while the compensations offered are trivial enough to offer little satisfaction to the ill-served customer.

A more real complaint would be that most of the guarantees apply only to areas in which the electricity board is in competition with high street stores.

According to Ms Jenny Kirkpatrick, director of the Electricity Consumer Council, the scheme is to be welcomed as far as it goes although unless it was extended to all the monopoly services offered by the board it would not give consumers any reassuring degree of protection.

The East Midlands Board would not necessarily deny such points. It admits that it has started in a small way, but is steadily expanding it to cover other aspects of its business.

By the beginning of next year, it expects to introduce its most ambitious guarantee, so as to ensure that the 200,000 consumers who need to have their meters changed each year will get a good and prompt service.

However the board has no plans to extended its service guarantee scheme to meter reading, the most common service and arguably the one that causes most irritation to consumers.

Mr Philip Champ, director of corporate services, explains that this would be too complex to administer and might mean that consumers ended up paying more for their supplies as a result of the higher costs of employing more people at evenings and weekends to carry out the work.

"We feel vindicated," Mr Champ said yesterday. "In 1985 we did stick our neck out and at times we wondered why none of the other boards were following us."

Indeed, Mr Parkinson might reflect that the real lesson to be drawn is not from the progress being made at the East Midlands Board but from most of the other boards.

With almost no constraints or measuring sticks applied to customer service, it is difficult to gauge, except by the wealth of sobering anecdotal evidence, the extent to which service is lacking.

However, a recent report from the Electricity Consumers Council shows how much is to be done.

Channel tunnel backed by 130 world banks

BY ANDREW TAYLOR

ONE OF the world's biggest loan syndications will be completed today when an offer to banks to participate in financing the Channel tunnel project closes.

By last night 130 international banks had agreed to sub-underwrite more than £1.8bn of a £5bn loan and standby credit facility negotiated by Eurotunnel, the Anglo-French Channel tunnel group, and 50 leading banks in August.

The five arranging banks are National Westminster and Midland, of Britain, and Credit Lyonnais, Banque Nationale de Paris and Banque Indosuez of France.

They said the syndication was extremely successful; that it would provide a boost for Eurotunnel's £750m international share-offer next month; and that the only other syndications approaching the amount raised by the Eurotunnel effort were recent reschedulings of foreign sovereign debts and a few oil-related syndications in the early 1980s.

The arranging banks expected that by the end of today the total number of banks supporting funding would approach 200, including the initial 50 lead banks.

That would be an unprecedented number of banks to support a single credit for a commercial project, said Mr Mike Venn, NatWest syndication manager.

The syndication effort was supported by European and Japanese banks but so far there has been no addition to the two US banks which were part of the initial group of 50 underwriting banks.

The scheme's failure to excite US bankers is thought to have been contributed to by lack of direct US involvement in a construction project taking place on the other side of the Atlantic. Japanese bankers by comparison have been the strongest supporters of the scheme, with 38 banks agreeing to contribute a fifth of the total.

However, increased support from French, West German, Italian, Belgian, Scandinavian, Swiss and Mid-East banks has meant the part of the funding package to be met by the Japanese has fallen even though the number of Japanese participating banks has risen because of the syndication effort.

GEC chief to lead Plessey joint group

BY DAVID THOMAS

MR RICHARD REYNOLDS, head of telecommunications business at General Electric Company, has been made managing director of the GEC-Plessey telecommunications joint venture announced last week.

The appointment was expected by industry observers as a sign GEC is in the driving seat but came with two others designed to show that top posts were drawn equally from each company.

Sir John Clark, Plessey chairman, is to chair a holding company, GEC Plessey Telecommunications Holdings, which will represent the interests of the two parent companies. It will have an equal number of directors, probably four,from each side.

Underneath will be an operating company to be called GEC Plessey Telecommunications which will be the name of the joint venture. Mr Reynolds will be managing director of this operating company; the chairman will be Mr David Dey, head of Plessey's telecommunications business.

The precise responsibilities of Mr Dey and Mr Reynolds have still to be worked out, although it is clear Mr Reynolds will have operational charge of the venture.

Observers interpreted Mr Dey's appointment as killing the suggestion, made by some analysts, that Mr Dey might become Plessey's managing director on resignation of Sir James Blyth last week.

Mr Reynolds said the structure showed a conventional separation between shareholders and operational management, and between chairman and managing director.

The venture has not yet named other senior operational managers but the intention is to draw them on merit from each company.

Management, Page 20

Joint company formed to supply data networks

BY DAVID THOMAS

PLESSEY, the UK electronics group, yesterday confirmed that it was establishing a joint venture company with Telenet, of the US, to supply networks for sending electronic data over the phone.

Telenet, a subsidiary of US Sprint, a long-distance telephone company, claims to be the US market leader in a business that is growing fast as many large companies are installing or expanding their data networks.

The joint venture, to be called Plessey-Telenet, will be 51 per cent owned by Plessey but largely under the management of Telenet.

It will begin by marketing data networks in the UK and the Netherlands but Mr Paolo Guidi, Telenet president, said it might expand later into other Continental countries.

Plessey and Telenet intend the company to be part of the telecommunications joint venture announced by Plessey and the General Electric Company, of the UK, last week.

Plessey-Telenet will sell switching equipment for data networks, install the networks and, if required by its customers, run them. It may also in future offer some of the electronic services to be used over the networks.

The joint venture, to be based in Basingstoke, will use equipment supplied from both Telenet and Plessey. Mr Guidi said he thought the two companies would supply equipment for the venture about equally at first.

Some Plessey engineers will be transferred to Telenet's Washington headquarters to help develop a unified product strategy.

Plessey has been distributing Telenet equipment since 1979 in the UK and the Netherlands. The two companies say that forming the joint venture demonstrates extra commitment by them to the market.

Mr Vincent Gargaro, Plessey-Telenet chief executive, said the company would have about £30m turnover in its first year.

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Swedish group in £100m Docklands site purchase

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

SKANSKA, the largest construction company and biggest private-sector property owner in Sweden, yesterday paid £100m for a five-acre site just east of the City of London for its first British property development.

In association with Windborne International, a private development and investment company, it signed contracts with the London Docklands Development Corporation for land on which to construct 750,000 sq. ft of office space with associated retail and leisure facilities. It will also build 128 homes.

The project, with a final investment value of about £450m, would be the biggest office development on the east fringe of the City. It is further evidence of the geographical spread of the financial district.

The site is on the north bank of the Thames, adjacent to St Katharine's Dock.

Outline planning permission exists for redevelopment of the cleared site but detailed planning consent has yet to be obtained. Skanska expects that to be a formality.

The London Docklands Development Corporation held a tender for the site and is said to have chosen Skanska above the claims of Trafalgar House and London and Edinburgh Trust. The judgment was apparently based not only on the price Skanska was prepared to pay for the site.

The land price, which works out at £20m an acre, is itself an indication of escalating values. It is more than a hundred times the price per acre of the first land sales made by the London Docklands Development Corporation.

The offices, designed by Sheppard Robson, will be spread among five blocks, the highest of which will have 24 storeys. Work on them should start next summer, subject to the grant of the necessary planning consents, with the first phase complete by the autumn of 1989 and completion during 1991.

'Purchases of US businesses total £14bn'

By Martin Dickson

BRITISH COMPANIES spent a total of $24bn (£14.6bn) in the first nine months of this year buying businesses in the US compared with $14bn in the whole of 1986 and $5bn in 1985, according to a study by Hoare Govett, the stockbroker.

The report says this unprecedented level of activity has much to do with the underlying strength of the UK corporate sector and the ready availability of equity and debt finance.

It adds, however, that the aggregate purchase price has been some four times book value and over 30 times historic earnings.

The high prices paid mean there is a real risk of poor returns, particularly given the uncertain outlook for the US economy. "The seasoned acquirer has the experience to cope but we worry for some of the newer players who, by virtue of the size of their deals, have effectively bet their business back home on US prosperity."

The largest US acquisition this year is British Petroleum's $7.6bn purchase of the minority shareholdings in Standard Oil, followed by Hanson Trust's $1.7bn offer for Kidde, the diversified industrial group, Imperial Chemical Industries' $1.69bn takeover of Stauffer Chemicals and the $1.3bn takeover of Manpower, the employment agency, by Blue Arrow, a much smaller UK services group.

Hoare Govett says it is difficult to correlate UK equity financings directly with US deals, but it estimates that more than £5bn of the £15bn of equity issues (excluding privatisation) in London so far this year has been directly applied as payment for such deals.

Leaving aside the BP deal, the report estimates that the 1987 acquisitions mean that some 18 per cent of the pre-tax profits of Quoted UK - Hoare Govett's model of big UK quoted companies - are now derived from US subsidiaries.

Hoare Govett argues that a significant factor behind the acquisition programme is the UK accounting system which allows any goodwill acquired to be written off against reserves.

Ferry disaster verdict may affect compensation claims

A.H. Hermann, Legal Correspondent, reports on how the finding of unlawful killing on the Zeebrugge tragedy victims may change the chances of prosecution

THE VERDICT of "unlawful killing" returned yesterday by the jury on the Zeebrugge ferry disaster will have no direct legal consequences on the prosecution of those responsible but may substantially improve the position of those claiming compensation.

It was not the task of the inquest to apportion responsibility and guilt when finding that there was murder or an unlawful killing. The papers will now be passed by the coroner to the prosecution service which will decide whether to prosecute or not and whom.

The prosecution service already had the report of the inquiry into the disaster conducted by Mr Justice Sheen.

The fact that disciplinary proceedings conducted by the shipping company against the master and officers of the Herald of Free Enterprise were not postponed to await the result of criminal prosecution suggests that criminal prosecution was not contemplated at the time.

That may now change but experts believe that criminal prosecution is unlikely. On the other hand, the jury verdict will introduce a new element of psychological and political pressure towards prosecution.

The verdict will however influence the civil claims for compensation. The limit on compensation imposed by the 1974 Athens Convention and the Merchant Shipping Act, which since the disaster has been increased to £80,000 per passenger, does not apply in a case of 'intentional or reckless misconduct' on the part of the shipowner.

The coroner told the jury that they should give a verdict of unlawful killing only if they find that there was gross negligence. The difference between that and recklessness is very small and may be none.

Would a UK court impose punitive or exemplary damages as US courts do in similar situations?

The leading dictum on this is by Lord Devlin in Rookes v. Barnard (1964) when he said that exemplary damages may be awarded if the defendant's conduct has been calculated by him to make a profit for himself - a profit that may well exceed the compensation payable to the plaintiff. This principle was later approved by the House of Lords in Broom v. Cassel (1972).

If the Zeebrugge victims succeed in convincing a High Court judge that the ship owners' negligence was due to the pursuit of profit, to achieve quick turn-round of ferries, they may well claim not only compensation outside the Convention limit but also exemplary damages.

DeLorean auditing action suspended

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE GOVERNMENT'S £73.3m High Court damages action against Arthur Andersen, the City of London chartered accountancy firm that acted as auditor for companies controlled by Mr John DeLorean, has been temporarily suspended.

Mr Justice Steyn yesterday granted Sir Patrick Mayhew QC, Attorney-General, a stay of the action pending a ruling by a New York court on its jurisdiction to hear a similar claim made by the Government in the US.

Arthur Andersen, which wants the matter tried in London, opposed a stay. It was granted leave to appeal.

Mr Justice Steyn said the Department of Economic Development in Northern Ireland alleged that Mr DeLorean and others had misappropriated government funds for the production of a DeLorean sports car in Northern Ireland in the 1970s.

The Government, which claimed that £73.3m was recoverable from Arthur Andersen because of the auditor's alleged negligence, considered New York the proper forum for its action but had started English proceedings in case the US court declined jurisdiction.

Arthur Andersen had challenged the New York court's jurisdiction. Judgment on that challenge had been awaited for 18 months. The firm wanted disclosure of documents in the English proceedings in advance of the New York ruling.

The judge said Arthur Andersen's evidence was that the case had affected the firm's ability to obtain new appointments as auditors.

He observed that the potential length of the English proceedings meant that they were unlikely to get to court before mid-1990. Arthur Andersen, therefore, faced a long delay.

Blue Arrow asks Tebbit to join board

By Philip Coggan

BLUE ARROW, the UK employment agency, said yesterday that it had approached both Mr Christopher Castleman and Mr Norman Tebbit MP to ask them to become directors of the company.

Blue Arrow recently became the world's largest employment group when it acquired the US agency Manpower for $1.3bn (£792m).

Mr Castleman was chief executive of Hill Samuel until July when he resigned in protest against plans for the group to be acquired by Union Bank of Switzerland.

UBS pulled out of the deal but Hill Samuel is currently the subject of an agreed bid from TSB. Mr Castleman was in South Africa yesterday.

Mr Tebbit, who is chairman of the Conservative Party, left the Cabinet after the June election victory. Earlier this week it was announced that he was joining the board of Sears (Holdings) as a non-executive director.

Richard Waters examines a profession's growth prospects

Accountants figure out wider role

THE CALL by the Institute of Chartered Accountants in England and Wales, Britain's largest accountancy body, for a ban on allowing outsiders to own shares in accountancy firms could present serious obstacles to the development of its own larger affiliates.

While the City has gone through the upheaval of Big Bang, accountants have been experiencing their own quiet revolution.

Their expansion into management consultancy, and more recently corporate and personal finance, has brought the large firms several years of strong growth and turned them into wide-ranging financial service concerns.

The growth is not over: but a restriction on access to outside capital could seriously restrict it.

It could also prevent links between accountants and other professionals such as bankers which, say accountants, might be in the best interests of both their clients.

Mr Elwyn Eilledge, senior partner of Ernst & Whinney, Britain's fifth largest accountants, said: "In the short-term, we do not need outside capital. We have plenty of resources to expand our business."

Like other senior partners, though, Mr Eilledge says that things may change in the future. "There should be no reason at all why a professional accounting firm like any other business, should not have access to outside capital. It's blinkered to prevent this. Five to 10 years down the track, God knows what we will want to do."

There are a number of developments that could lead accountancy firms to seek greater financial muscle. One is the need to finance takeovers.

Most of the growth into management consultancy has been managed by building up experience rather than buying it, although several firms have taken the acquisitive route.

Mr Michael Blackburn, managing partner of Touche Ross, said: "I do not see why the only people with that vision should be Saatchi & Saatchi."

Saatchi signalled its ambitions in the management consultancy market when it acquired Hay MSL three years ago - an acquisition financed by a £100m rights issue.

Touche has absorbed three small management consultancy practices in the past three years.

"In terms of making acquisitions, it is necessary to be able to put a value on your business," said Mr Blackburn. "It is not something you can do in a partnership form."

Technology could also put a strain on accountants' resources. In a business intimately connected with collecting, analysing and reporting on financial data, accountants find themselves in the middle of an information technology revolution.

It affects their business in many ways. At one end of the spectrum they need to invest in developing computer audit techniques.

At the other, some firms are considering running computer establishments for their clients.

Arthur Andersen this year became the first firm to offer to handle all of a client's computer-related needs on its own hardware staffed by its own people.

Such developments are likely to expose the financial weakness of accounting firms, which look to individual partners as the only source of their capital.

Only audit firms are restricted by law. Their consultancy arms could in theory seek outside capital alone, says Mr Don Hanson, an Arthur Andersen managing partner.

Such a move, though, would lead to a fragmentation of firms at a time when accountants are trying to tie their organisations more tightly together.

This was evidenced by a call from senior partners of the largest firms for an end to the restrictions that prevent their auditors and consultants sitting around the same partnership table.

Non-accountants are not allowed to join the main partnership and non-accountancy partnerships are not allowed to number more than 20. As a result, firms operate a network of partnerships or already have management consultancy companies.

Links with other financial services firms could bring other benefits for clients. Accountants do not provide finance, so a close link with a bank could help them to bridge that service gap.

Banks could also have a lot to gain from tying in with an accountancy firm. Their company doctoring units already rely on accountants on secondment from large firms.

In addition, banks have so far been unable to develop the type of tax advisory skills that the accountancy firms specialise in.

However, if the institute has its way, the two sides will be prevented for ever from exploiting these advantages.

UK NEWS - THE CONSERVATIVES AT BLACKPOOL

Old stager describes some of the tricks of his trade

THERE SEEMED to be something strangely familiar about the speaker who dashed to the rostrum during yesterday's economic debate to call for the untrammelled development of the free market red in tooth and claw.

Carry on privatising and deregulating, he urged Chancellor Nigel Lawson. Carry on tax-cutting - not just with a reduction of income tax to 25p in the pound but to 20p. If that was done "then there is no end to what we can achieve for this country."

The face was slightly paler and the figure somewhat thinner than we had known in the past. But yes, this fervent apostle of Thatcherism was none other than John Horam, former Labour MP for Gateshead, who later switched to the Social Democrats.

His unusual political pilgrimage had not stopped there. As he proudly informed us, he is now a fully paid-up member of the Tory Party. In these circumstances it was a bit of a cheek for this political maverick to give advice on how the Conservatives should win converts.

They should not trim, they should not alter, they should not modify, they should not lurch to the left. No, they must carry on straight down the road which they had mapped out.

It was rather like these old-time revivalist meetings when the sinner comes to repentance after treading a long and ,in Mr Horam's case, extremely winding road. The Tory rank and file, who had already seen the light of Thatcherism, enthusiastically welcomed him into the company of the elect.

After such an unsettling experience one needed some reassurance that there are at least some unchanging values in this uncertain political world. Fortunately comfort was at hand in the ample form of Viscount Whitelaw who was introduced as Lord President of the Council, Leader of the House of Lords, deputy Prime Minister, senior statesman and former captain of the Royal and Ancient Golf Club.

Lord "Willie" Whitelaw, who was talking to the Bow Group on the role of the House of Lords, enunciated some Whiggish doctrines somewhat at variance with the view from No 10. His theme was that a revising chamber was a necessary brake on the Government of the day.

He even had the temerity to suggest that government legislation was sometimes less than perfect and needed tidying up by their lordships.

"There is just a possibility that even the hardest-line people should expect that you just might occasionally be wrong," he declared.

None of this was likely to delight Mrs Thatcher at a time when - owing to the disarray of Labour, Liberals and Social Democrats - Her Majesty's Loyal Opposition seems to reside in the peers of all parties in the Upper House.

Accepted wisdom has it that Lord Whitelaw can curb these troublesome people by calling in the hordes of Tory "backswoodmen" from the shires.

"Would that it were so," sighed Willie. "But that isn't the way it works."

However, the shrewd old political manager has a few political tricks in reserve, particularly when dealing with the increasingly turbulent bishops.

With a chuckle he recalled how they failed to carry an amendment against Sunday trading because they failed to allow themselves enough time to change into their robes to get into the chamber to vote. They were extremely annoyed that Lord Whitelaw had not warned them of this difficulty.

"They thought it was very unfair," he ruminated. "But if that is the way you are going to conduct your parliamentary affairs you won't do very well."

He observed that no one could have dreamt up such an extraordinary institution as the House of Lords. Yet it worked despite its anachronisms. It seemed a fitting description for Lord Whitelaw himself.

JOHN HUNT

Attitude change urged for inner city dwellers

THE KEY to the regeneration of inner cities was a change in the attitudes of individuals living in them, Mr Kenneth Clarke, Industry and Trade Minister, argued in an address to a conference meeting.

Mr Clarke, who has been given the role of articulating the Government's views on inner cities, made it clear that fresh public sector investment schemes in run-down areas were unlikely to be at the heart of its policy.

In a speech notably sceptical about the value of public spending programmes, Mr Clarke said that existing policies on education, training and urban development were sufficient to help solve the problems.

Lawson to persist with 'no risks' policy

BRITAIN's economy was in better shape than at any time since the Second World War and heading for 4 per cent growth this year, a buoyant Mr Nigel Lawson, the Chancellor of the Exchequer, told the Conservative conference at Blackpool yesterday.

Mrs Margaret Thatcher, the Prime Minister, led a standing ovation for his most successful conference speech. It reaffirmed that the policies which had achieved a growth rate faster than any other major economy in the world while keeping inflation low would be continued.

Mr Lawson emphasised that the restraint which had resulted in public expenditure taking a smaller share of the national income in every year since 1983 had been crucial, adding: "You can be sure we shall stick to it."

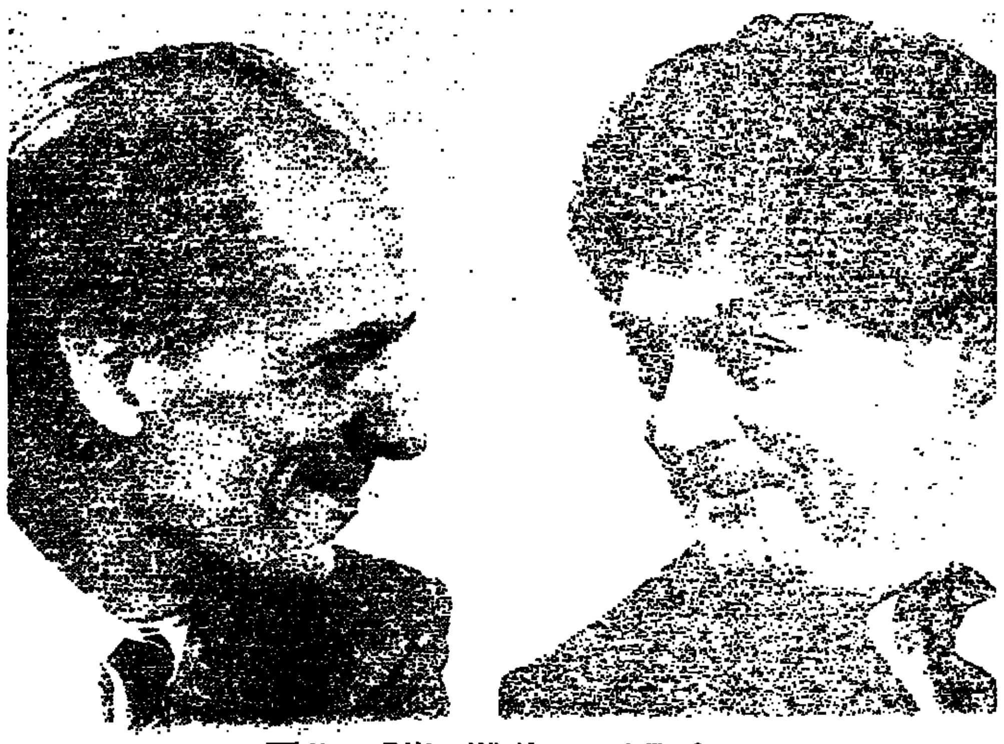
He promised to continue to cut taxes in general and income tax in particular, bringing the basic rate down to 25p as soon as it was prudent to do so.

To applause, Mr Lawson stressed: "There will be no risks. There will be no fudges. We shall only do what we can afford to do."

The Chancellor claimed that the policies which had transformed Britain from being a supplicant to the International Monetary Fund under the last Labour Government to a position where public finances were sound and strong had been accompanied by a transformation in society through the extension of home and share ownership.

It was the 2.5m increase in the number of families owning their own homes and the 5.5m increase in the number of people owning shares which had caused so much agony in Labour's ranks.

Soon to come, he said, would be personal pension ownership.



Top table unity: Norman Tebbit and Nigel Lawson in ebullient form yesterday

Mr Lawson underlined the longer-term implications of the Conservative Party's third successive general election victory in June with the assurance that the next five years would see the further steady onward march of privatisation and wider share ownership.

He said: "The nation of owners we now are will ensure that the next generation is a nation of inheritors too. That is the ultimate entrenchment of the property-owning democracy."

Mr Lawson highlighted the confidence in commerce and industry reflected in the fact that in the 1980s manufacturing productivity in Britain had climbed right from the bottom of the league to the top.

"We have outperformed all the others, not just in Europe but the Americans and Japanese too."

He described industry as being far more efficient than ever before. This had meant getting to grips with the burden of overmanning and as a result unemployment had taken a long time to turn round.

Mr Lawson recalled that two years ago when the Conservative conference was last staged in Blackpool he promised that holding to the Government's policies would bring unemployment down. "We did stick to our policies and it has come down."

He insisted that just as Britain's growing prosperity was steadily spreading to every part of the country so the fall in the number of people out of work was seen throughout the nation.

Warning that there was no room for complacency, Mr Lawson emphasised: "Inflation has been scotched but not yet killed."

Nor had the danger of a trade war gone away and there were stubborn vested interests still to be overcome.

Mr Lawson contended that the Conservative Party fully understood the magnitude of it's great reforming programme and was not daunted by it.

The goal was nothing less than securing a strong, free and prosperous Britain well into the next century.

A recurring theme in a debate on a motion urging the Government to pursue policies to encourage investment and wealth creation was the need for changes in the income tax regime to allow married women to assume responsibility for their financial affairs.

Without giving any hint of the timescale he had in mind. Mr Lawson accepted that the traditional tax treatment of married women was no longer acceptable.

Earlier Mrs Margaret Williams, a company director from the London area, protested that married women were still men's chattles.

She pointed out that even the Prime Minister was in the position where her husband, Mr Denis Thatcher, was responsible for including her income in his annual tax return.

Mrs Williams said: "The Prime Minister is widely respected throughout the world and it's time that she too was treated as an equal

Mr John Horam, the former Labour junior minister who joined the Conservative Party after losing his seat as a Social Democratic Party MP, joined in the calls to the Chancellor to pursue the policies which had brought about such an improvement in Britain's economy.

To applause he declared: "The way to win more converts is not to trim, not to modify, not to alter, not to lurch to the left but to carry straight on right down the road."

Inner circle in a battle for the sovereign's ear

PETER RIDDELL on the arguments over Norman Tebbit's successor as Tory Party chairman

MRS THATCHER'S inner circle has always been similar to Queen Elizabeth I's court. Some ministers have been in favour for a time, and then fallen from grace. And there have been the permanent fixtures, the servants of the state without ambition themselves for the Crown - the successors of the Cecil family, Lord Whitelaw and Mr John Wakeham.

Behind the bland surface of party unity this week there has been an undercurrent of argument within the inner circle about who should succeed Mr Norman Tebbit as party chairman - in particular about the position of Lord Young, the Trade and Industry Secretary, the favourite for the post. It is a battle for the sovereign's ear.

Lord Young has been a court favourite since before he entered the Cabinet in a non-portfolio post three years ago. Regarded by Mrs Thatcher as "the man who brings me solutions, not problems", he is liked and respected by most colleagues. He is not a rival to them for the top prizes, being disqualified as a peer.

Yet his recent prominence has produced jealousy. There were, of course, tensions during the election campaign over the battle of the advertising advisers.

First, Mr Tebbit backed the party's official agency, Saatchis; secondly, Lord Young worked closely with Mr Tim Bell, the ex-Saatchi man now with a new agency, and with Sir Gordon Reece, a long-time Thatcher adviser; and finally there was Young and Rubicam which worked via Mr Geoffrey Tucker, the former head of Tory publicity, and also involved Sir Ronnie Millar, the playwright and one of Mrs Thatcher's speechwriters. The suspicions produced then have soured subsequent relationships.

Yet, even among his critics, Lord Young is recognised as one of the few senior figures to have the necessary organisational ability as well as the trust of Mrs Thatcher.

The snag is whether he can combine the job with that of Trade and Industry Secretary. Mr Tebbit, who moved from one post to the other two years ago, has made no secret of his belief that no one can combine both jobs.

Similarly, the party's conciliators - the Whitelaw/Wakeham axis - also doubt whether the two posts can be combined.

They have no objection to Lord Young becoming chairman, provided he gives up the DTI, perhaps handing over to Mr Kenneth Clarke, his deputy there, who is also in the Cabinet. He could then take up a non-portfolio post.

This is partly a question of the workload involved as well as a potential conflict of interest given the DTI's responsibilities for sponsoring and regulating companies, which may be contributors to the Conservative Party.

This point should not be exaggerated since in the 1960s and 1970s the party chairman was often a senior minister. The real objection is that such a combination might give Lord Young too much power, in the eyes of colleagues, and thus upset the Cabinet balance.

Lord Young has himself said that he will do what Mrs Thatcher asks, though he wants to stay at the DTI, believing that he has a lot to do there. He is not alone in arguing that another change of Trade and Industry Secretary after five incumbents in four years might be excessive.

Majority Cabinet opinion appears to be moving against a dual role for Lord Young. But there is no obvious senior alternative in the Cabinet, assuming that there is no desire to repeat the experience of having a middle or junior ranking minister like Mr John Selwyn Gummer, who served as chairman from 1983 to 1985 and was much, and partly unfairly, criticised.

The whole episode shows the way decisions are taken within Mrs Thatcher's court. Rival groups leak and gossip, often without talking to each other in an attempt to influence the climate of opinion and tilt the final decision.

But they all know that the final say will be Mrs Thatcher's and she can always have her own way, as ultimately did Queen Elizabeth.

Whitelaw warns of problems in Lords

THE GOVERNMENT could face problems in the House of Lords over some of its forthcoming legislation, Lord Whitelaw, the leader of the Lords, suggested yesterday.

In a lunchtime speech to the Bow Group, Lord Whitelaw outlined the difficulties facing the Government in the Lords and discussed the prospects for reform.

He conceded that sometimes when the Government had been defeated in the past, it "might occasionally have been wrong". When the Government's own supporters voted against the proposal, he said it was "occasionally right for it to be beaten from time to time."

He said the Government was liable to be defeated on measures connected with charitable, housing trusts, any legislation concerning the disabled and anything to do with the constitutional problems of local government. He gave the example of the proposal in the forthcoming Education Bill to allow boroughs to opt out of the Inner London Education Authority.

Reports by PETER RIDDELL, IVOR OWEN, LISA WOOD and JOHN GAPPER
Pictures by ALAN HARPER

Lord Whitelaw's central theme was the need to proceed in the Lords by consent and agreement since the Government does not have a majority and there is considerable opportunity for delay without a guillotine procedure.

Discussing the prospects for reform, he said that objections came more from the Commons than from the Lords. He said that this was because any changes in the composition of the Lords, particularly involving an element of election, would mean that the chamber would want to exercise more power.

While doubting whether there would be any reform in the short term, he said that one option that might be right would be to allow the hereditary peers to elect some of their number to take part in the House's proceedings.

He said that day might come because the creation of so many life peers, together with the same number of hereditary peers, put strains on the accommodation of the Lords and meant that many more people would want to take part in debates than was possible.

He noted all the difficulties of such an idea. In particular eminent figures among hereditary peers would like to speak from time to time but not regularly.

However, Lord Whitelaw firmly rejected any suggestions for a two-tier structure in which peers might be allowed to attend and speak but not vote. This suggestion was mooted unsuccessfully in 1967.

He argued that in present circumstances the Lords did a good job as a revising chamber, occasionally forcing the Commons to think again and improving legislation.

Lord Whitelaw made clear his belief that the televising of the Lords had been a success and, while diplomatically, not making any specific proposals about the Commons, he indicated his support for the extension of television to that chamber.

Anger over business rate scheme

A STRONG ATTACK on government proposals for a national business rate was made on behalf of small businessmen and the self-employed at a fringe meeting addressed by Mr Michael Howard, the local government minister.

Mr John Harris, chairman of the rates committee of the National Federation of Self-Employed and Small Businesses, condemned the proposals as "a sentence of death" for many small businesses.

Mr Harris said that the redistributive effect of the proposed Uniform Business Rate, would be the equivalent of taking "an arm and a leg" from businesses in the South and rural areas and giving them to those in the North and some cities.

He called for businesses to be taxed on their profits alone and suggested that some small businessmen would be tempted to change their allegiance from the Conservatives unless the proposals were altered.

Mr Howard estimated that a national non-domestic rate and revaluation would together transfer £700m to businesses in the North and the Midlands, and said he believed all businesses would gain from the stability and fairness it would offer.

He said that the proposed rate system would stop businesses being vulnerable to large local rate rises in areas controlled by Labour authorities, and the alternative forms suggested for it were unsatisfactory.

He added that a profit-based rate would be unfair because businesses which were able to avoid making a taxable profit, such as those with a high level of capital investment, would be able to use local services at no cost.

Policy over mergers to be changed

THE GOVERNMENT's policy on mergers and competition is to be strengthened following criticisms that present merger procedures are slow and inflexible.

The move was announced last night by Lord Young, Trade and Industry Secretary, at a meeting of the Centre for Policy Studies.

It follows an internal Whitehall review of competition policy started in June last year. Although the review has not yet been completed - it is expected to be finished early next year - Lord Young announced several interim conclusions last night.

The main conclusion is that there would be no change in the present policy of referring mergers if there was likely to be some detriment to competition.

"The review has confirmed my view that in determining whether mergers should be referred, the main, though not exclusive, consideration should be their potential effect on competition," said Lord Young.

He also stated that he should continue to have the discretion to refer mergers on other grounds if this was in the public interest.

'Single market' drive launched

LEADERS OF commerce and industry are being invited by the Government to join in a drive to ensure that the opportunities which will arise from the creation of a single market in the European Community in 1992 are fully exploited.

Lord Young, the Trade and Industry Secretary, announced that he had written to the heads of the Confederation of British Industry and the Institute of Directors and to a number of leaders in all fields from the City of London to manufacturing industry.

He said he had invited them to "come and join with me in launching a crusade to get the message of the single European market to the whole business community."

Lord Young called for full co-operation with ministers and civil servants in preparing for the final stage of negotiations.

He appealed: "Come and tell us what standards, what products, what regulations suit Britain."

Lord Young emphasised that there was much to gain but warned that there could be even more to lose.

He emphasised: "I am determined that it will be our enterprises, our companies, our services and products that will seize the initiative."

Lord Young welcomed the fact that the City was now clearly the financial heart of Europe as well as being one of the three financial centres of the world.

He pledged that the Government would protect the repuation of the City while keeping a fair balance between protecting the investor and over-regulating the market.

Guy de Jonquieres writes: The Department of Trade and Industry aims to encourage companies to prepare for the competitive challenges of a unified market and to seek advice from industry on how best to negotiate in Brussels on details of the EC programme during the next few years.

Lord Young plans to write soon to almost 100 other business leaders in five or six selected sectors and to hold a conference on the internal market next spring, to which about 300 delegates from the private sector will be invited.

It will be followed by a series of regional conferences throughout the UK, which the CBI and IoD will be asked to help organise. The internal market programme will also be publicised through brochures and audio-visual presentations.

In his letter Lord Young said that the advent of the internal market would present a challenge to industry as great as Britain's EC accession in 1973. By removing many obstacles to trade in the Community, it would strengthen competition and create fresh commercial opportunities.

Heseltine outlines plan for community work

A DETAILED picture of how entitlement to unemployment welfare payments could be based on individuals taking part in schemes such as outward bound projects or charity work was set out last night by the former Defence Minister, Mr Michael Heseltine.

Mr Heseltine used an address to a Tory Reform Group dinner to make the latest of a series of pronouncements during conference week in which he has laid out his own vision of policy ideas that the Conservatives should adopt.

The address contained the first fleshing out of his proposal for a scheme linking unemployment benefit entitlement to the undertaking of community work, which has been compared to the "Workfare" programme in the United States.

Mr Heseltine said that the Government had established the principle of making welfare benefit dependent on training for the new school-leaver, but there was no logic in not applying the idea more widely.

He suggested that the Community Programme could first be altered so that the 300,000 people on it were employed as managers and organisers of schemes which those claiming unemployment benefit would have to join.

Education and training would have to play a leading role in such schemes, he said, but they could also be used more generally to help with urban fringe programmes rejuvenating inner cities.

He said: "There is an almost limitless range of charities and voluntary organisations searching for ways to improve and augment the basic provision of the state. They could all benefit from extra help.

"I would urge an expansion of sport, adventure training, physical recreation and outward bound type projects. These could be serviced by military instructors. And for those who wanted it, experience of actual military service should be an option."

Such a "community benefit" programme could also include using the unemployed to clear up litter-strewn streets and council estates, and there was an "almost limitless range" of charities and voluntary organisations that could benefit from such help.

Mr Heseltine said that he would introduce such a programme first in areas where unemployment was the lowest and "resentments at a minimum" and local variations of its application were inevitable.

He said that the unemployed should not be forced "willy-nilly" into taking the first place on such a scheme that appeared and the payment of benefit should only be at risk after reasonable efforts to find a suitable opening.

Howe confronts European budget issue

THE CONSERVATIVE Party, in its third term, must help conquer the common European budget problem, Sir Geoffrey Howe, told the conference.

Sir Geoffrey was warmly applauded in his reply to a motion on the European Community. It urged continuing pressure on other member states to resolve the problems of the European budget and the Common Agricultural Policy.

An amendment, which was also carried, added that in the move towards a united body the EC would strengthen "the influence of the Western alliance in world affairs."

Conference picture

A PICTURE of Mrs Gwyneth Dunwoody was wrongly labelled as being of Miss Joan Maynard in a report of the Labour Party conference carried on October 2. We apologise for the error.

NHS links with private sector to be encouraged

MR JOHN MOORE, Social Services Secretary, announced yesterday that he intended to encourage further co-operation between the National Health Service and private health providers.

This could involve a review of the 1946 National Health Act, which set up the NHS in 1948, which prevents health authorities from making a profit on the provision of private services or leasing out health service property to profit-making organisations.

Mr Moore, speaking after the debate on health and social security, said: "There may be some areas of the 1946 act that inhibit health services in the districts from doing what they may want to do in attracting more resources."

He said he wanted to see more NHS patients treated in private hospitals, to ease waiting lists, and vica-versa.

Mr Moore had earlier responded to the debate on health and social security where near-unanimous support was given to the motion urging that such increased resources as were available be directed to provide better patient care.

PEOPLE WERE dying because of government policy towards the National Health Service, Mr Roy Hattersley, the Labour deputy leader and shadow Home Secretary, said yesterday.

"Men and women are dying from lack of public expenditure. Men and women are dying because they cannot afford private treatment and the health service cannot afford to cure them," he said, commenting on a statement by a senior Birmingham hospital doctor that cancer patients were dying while waiting for radiotherapy treatment.

"It is time that decent people throughout the country mobilised their feelings of disgust into a movement strong enough to change the Government's policy if not its standard of values."

The Social Services Secretary said that resources for the health service must increase. "We are determined that they will." But he said "sacred cows" had to be dispensed with and outdated ideology should not stand in the way of high-quality care for everyone.

He spoke of a mixed economy of care involving the private, the public and the voluntary sectors. On co-operation with the private sector, he said: "Sterile political argument which seeks to picture the private sector as untouchable must end.

"We want this co-operation to continue and to grow, and we aim to encourage it." Great strides, he said, had been made on competitive tendering in three main hospital functions -cleaning, catering and laundry - with savings made of some £100m.

"There is no reason why other functions should not also be subject to competitive tender." Mr Moore declined to say what services could be put out to tender but it is understood they could include radiology, pathology and pharmacy services.

Within the NHS, he said he was not going to be inhibited by dogma. "We are willing to consider and explore anything and everything that might help us achieve our aim."

Mr Moore said he would like to see every general practitioner with a computer screen so he would be able to tell a patient instantly where in the country there was a hospital place available for his operation.

Several speakers during the debate had spoken about their fears over health service issues. Miss Harriet Crawley (Brent East) said she was sorry about how successive Conservative governments had treated nurses whose pay compared unfavourably, for example, with policemen of similar career experience.

She said: "If the NHS is the largest single employer of women it is the worst. And I am not just talking about pay." She forecast that what was now a crisis in shortages of nurses would be a catastrophe by 1990.

Mr David Hopkins (Wakefield) had criticisms of Project 2000, a review of nurses' training, which proposes to abolish the state enrolled nurse category. Mr Hopkins argued against this claiming the NHS could not afford to lose these valuable trained nurses.

Mrs Sheila O'Beirne spoke of how 18-year-old women were turning to other professions rather than nursing because of poor conditions. She said: "We must never let the 'winter of discontent' happen again but we must stop running the health service on low pay and goodwill."

Mr Mark Robinson (Newport) said the time had come to remove hostility to private sector involvement in the NHS. He said: "There is no need for health departments to discuss co-operation with the private sector in hushed tones. The NHS needs the private sector as much as it needs us."

Mr Rob Kendrick (East Midlands) expressed concern over the discharging of psychiatric patients into the community

John Moore acknowledges the standing ovation after his speech

DTI denies clash over policy on South Africa

BY TOM LYNCH

THE TRADE and Industry Department yesterday denied that its advice to exporters was in conflict with government policy on trade with South Africa.

Mr Robert Hughes, chairman of the Anti-Apartheid Movement and a member of the Shadow Cabinet, wrote yesterday to Lord Young, Trade and Industry Secretary, challenging him about DTI advisory documents on trade with South Africa.

In his letter, Mr Hughes demands the withdrawal of the documents and an inquiry into the circumstances of their production. "They contain advice which is clearly in conflict with government policy," he says.

Mr Hughes points to a report on offshore gas development which argues that companies with North Sea experience are "well placed" to take advantage of opportunities in South Africa.

The report advises: "Companies already investigating this market or who initiate inquiries in the future should be prepared to discuss possible joint venture or manufacture under licence arrangements with local companies. The alternative would be to consider establishing new subsidiaries."

Mr Hughes argues that that conflicts with a written answer by Mr Paul Channon, the former Trade and Industry Secretary, last October.

He says: "The Government is taking action to dissuade UK firms from making new direct investment" and adds that it was asking companies to comply fully with the European Community's voluntary ban on new investment.

However, the DTI said yesterday that the documents did not conflict with government policy, and pointed to the voluntary nature of the EC investment ban.

The EC measures against South Africa included a ban on oil exports but were "not intended to cripple the South African economy. UK involvement in the development of South African oil and gas is not therefore in contradiction of our policy."

A DTI background briefing note offers confidential advice on the "precise impact and interpretation" of the voluntary ban and offers exporters free market reports on key sectors.

The market report on safety and security equipment says demand has increased partly because the fight against unrest in black townships has caused a lack of police manpower elsewhere but sees signs that "increased expenditure and vigilance by police and civil authorities are starting to have a positive effect."

Mr Hughes argues that the statement is "tantamount to government endorsement" of police and security services action under the state of emergency.

The DTI said it provided the "normal range of assistance" to exporters, except in those areas where a ban was in force.

It reiterated the Government's policy that "civil trade with South Africa should, within the limits of our international obligations and undertakings, be determined by the commercial judgment of those engaged in it."

Japan toolmaker's move

BY NICK GARNETT

TOYODA MACHINERY, the Japanese machine toolmaker in which Toyota has a large stake, signalled its intention yesterday of moving into the crowded UK machine tool market.

The company has formed a sales and customised engineering unit at Milton Keynes. The business, Toyoda Machinery and Engineering, is owned jointly by Toyoda Machinery, Toyoda Machinery of the US and Ernault-Toyoda Automation in France.

Toyoda is a big producer of grinding machines, particularly for the automotive industry, and sells them in the UK. It also produces machining centres.

The new company said yesterday it would be selling all its types of machines, and sourcing them from Japan and its production sites in the US and France. Milton Keynes will supply Scandinavia as well as the UK.

Mr Brian Goodban, managing director of the new operating company, said that Toyoda would consider setting up an assembly operation in Britain, but not in the near future.

Mike Smith on the £200m sale of Hygena to MFI

Getting into the kitchen heat

FURNITURE RETAILER Mr Malcolm Healey had had enough. Faced with yet another round of suppliers' rises the managing director of the Status chain of stores decided to take them on at their own game: he reckoned he could make more reliable kitchen-cabinets, both in quality and on delivery, than any of them.

So, armed with a 40,000-sq ft factory and a collection of second-hand machinery he set up his own manufacturing plant.

This week he proved the wisdom of his confidence of 11 years ago: he agreed to sell the company, now called Hygena, for about £200m to MFI as part of Britain's biggest management buyout.

Hygena, reputedly one of the most cost-efficient producers in the sector, has grown in spite of poor market conditions for furniture sales have been flat for much of the past decade.

Mr Healey's success may also be measured in the light of his sole-ownership of the group: few private companies can claim annual pre-tax profits of more than £20m as Hygena did last year. Of those which do only a handful will be owned by one person.

Mr Healey, a man of private nature who went on holiday to France this week avoiding publicity about the deal, is planning to emigrate to the US to set up another furniture business.

However, he will keep close links with MFI Furniture Group, the company which combines MFI and Hygena following the £715m joint-management buyout.

As part of Monday's deal he bought Hygena's half-share in a US wood-processing mill from which he will sell stock to MFI Furniture. However, he has, also, a vested interest in the new group as owner of 10 per cent of its shares. He will want to ensure it continues on the growth pattern achieved by Hygena rather than that of MFI where profits have been stagnant for the past three years.

John O'Connell

Quite why Hygena should have prospered when MFI, with many others in furniture, has struggled, is at first puzzling: its sales by volume have stayed stagnant in the past four years or so and, says MFI, it had, until this year, not raised its prices even in periods of heavy inflation in their 10-year trading relationship.

Hygena's success has been due partly to its special relationship with MFI which, following the latter company's £30m takeover of Status in 1980, accounts for 98 per cent of Hygena's output: for example, its cash flow is helped by MFI paying for goods three days after delivery.

That may sound like madness on MFI's part but, says Mr John O'Connell, MFI managing director and now co-managing director, concessions like that have been worth it because no other producer could supply the same amount of furniture in such volume and of sufficient quality.

However, the key to Hygena's profits-growth has been the efficiency of its highly-automated factories based in Howden, Hull, Scunthorpe and Stockton and which turn out 4m units of furniture a year, mainly for kitchens and bedrooms.

Over the past decade the furniture industry has been notoriously slow in adopting new technology.

Mr John Dick, who was Mr Healey's deputy and will now become joint managing director at Hygena with Mr O'Connell, recalls that people said Hygena was naive when it adopted a flow-line involving six separate machines in the early-1980s.

He says: "They pointed out that the whole line would be stopped if one machine broke. We just made sure that the machines were kept in order and the system worked."

Hygena was also early in introducing Just-in-time, the Japanese method of keeping stocks to a minimum by producing goods only when they are needed. "At the time we were widening our range of products and we wanted to avoid building another warehouse," says Mr Dick.

"At first we thought Just-in-time was crazy because it seemed to suggest runs of, say, one panel on each machine. Eventually we worked out a system with runs of as little as 450. Before that they were anything up to 20,000."

Just-in-time required more reliable delivery of components. This led to Hygena making more and more of them in-house. Thus, as well as assembling its units, it has its own laminates plant and its own packaging-factory.

This, in turn, has had a beneficial effect on margins because, again, it has cut on stock and strengthened quality-control.

Though vertical integration has been successful at Hygena there is doubt in the industry about whether the same concept would be be as successful when applied to the MFI Furniture Group.

The danger of combining retailing with manufacturing is that the production tail can wag the marketing dog, with the result that unwanted stocks build and profitability slides.

When MFI management started considering its buyout from Asda-MFI last February it did not plan to include Hygena in the deal. Then, in the ensuing talks, Mr Healey said he was considering making supplies to other retailers.

Such a move would have enormous consequences for MFI, which depends on Hygena for nearly half its goods, and Asda might have been forced to postpone MFI's disposal. It was then MFI decided to make an offer for Hygena.

None the less, the combination has clear advantages. For example, MFI can take more of its products from Hygena without the criticism it has received for relying too much on one supplier. It will also benefit from being able to trade under the Hygena trade-name in some of its shops, particularly smaller ones.

However, MFI is aware of possible negatives. Mr John Randall, finance director, says MFI and Hygena will be run as two separate companies with separate margins: "MFI buyers will be instructed to make no concessions on price to Hygena. If they can get their goods cheaper and better from elsewhere they will do so. If they don't they will be criticised."

The criticism will not just be from internal sources. Investors in the buyout - including Chemical Bank, Citicorp and Charterhouse, as well as Mr Healey - are looking to triple their money in three years, in exchange for the risk they are taking. Should they fail to get it they will undoubtedly want to know the reason why.

Incentives to revive cities urged

By Hazel Duffy

BUSINESS COULD play a crucial role in helping to revive the inner cities if the Government provided sufficient incentives, Sir David Nickson, president of the Confederation of British Industry, said in the West Midlands yesterday.

Implicit in Sir David's speech was that the Government needed to find more money to encourage private investment. "On the face of it, there must be pump-priming from the public sector and a proper system of incentives. One suggestion already made is that some of the revenue from privatisation might be used to provide these incentives."

Other means the CBI is studying include the relaxation of land use zoning controls and the possibility of taxing vacant land after a specific period.

Sir David emphasised the importance of a strong manufacturing base to Britain's future prosperity. "We cannot hope to have any reasonable standard of living on this crowded island if we depend entirely on the service sector or become merely a manufacturing assembly plant for others."

It was vital that the basic technologies be conserved and expanded, and that a strong, internationally competitive presence in the core manufacturing sectors be retained.

"We must not allow our grandchildren to inherit a nation in which we are just shopkeepers, sellers and assemblers for products invented and made elsewhere in the world."

Pensions body backs planned IR changes

By Eric Short

THE ASSOCIATION of Pensioneer Trustees has generally welcomed the Inland Revenue's proposed changes for the operation of small, self-administered schemes. These are pension schemes for controlling directors and executives managed by the beneficiaries themselves.

However, the association has expressed concern over certain aspects which it feels will be unduly restrictive, in particular in regard to the wider responsibilities required of pensioneer trustees.

Small, self-administered schemes have grown in popularity over the past decade. They enable companies to provide pensions and other benefits for their controlling directors and executives on a tax-efficient basis, while still retaining control and use of the assets.

Because with such schemes the company, the trustees and the beneficiaries are usually the same persons, the Revenue has laid down specific rules on their operation, particularly over permitted investments.

In addition, there has to be an independent trustee, known as the pensioneer trustee, a status approved by the Revenue.

In spite of these controls, there is growing evidence of abuse in a minority of cases.

Iveco Ford truck output rising

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

THE RATE OF output in Iveco Ford's Cargo truck plant at Langley, Berkshire, has been lifted for the fourth time this year and new employees have been taken on for the first time since 1979.

Langley was the most important asset transferred by Ford of Britain to the joint company it set up in the UK with the Fiat-owned Iveco group 14 months ago.

Since then the factory has benefited not only from buoyant UK demand for medium and heavy trucks but also from an aggressive sales and marketing programme by Iveco Ford Truck.

The company has launched 19 new trucks or significantly different versions of existing vehicles since last June, about half of them additions to the Cargo range.

Consequently, Iveco Ford has increased its share of every sector of the UK truck market this year and after nine months had leadership of the total heavy truck market (over 3.5 tonnes gross weight) with 10,200 registrations, ahead of Leyland Daf with 9,934.

Production at Langley, which dropped to 50 trucks a day last year before the merger, has now been increased from 69 to 78 a day. The factory is also producing more complex vehicles.

For the latest increase in output to take place, more than 50 new employees have been engaged, taking the total Langley workforce above 1,500.

The plant is working overtime to meet demand. Langley's output is now expected to reach 14,800 this year compared with 11,994 in 1986.

Mr Alan Fox, Iveco Ford's commercial operations director, said the company was ahead of its internal targets this year for both volume sales and profitability - particularly profitability.

He would not be drawn on the details, but said yesterday during a preview of new trucks to be shown at the Scottish Motor Show that his company would provide an even wider range of models, "leaving virtually no market niche untouched.

"Some market sectors might be small, but if you get a big enough share of several of them it adds up to a reasonable total", he said.

Mr Giorgio Garuzzo, the managing director of Iveco, said recently that if they did incur a loss, this would be "very small".

In the first six months after it was established, Iveco Ford lost £22m net, mostly because of exceptional losses and start-up costs. The two principal shareholders injected a further £28m of new capital.

Rates plan 'unfair to small companies'

BY CHARLES BATCHELOR

GOVERNMENT PLANS to introduce a uniform business rate as part of its poll tax proposals would impose an unfair burden on many small companies.

It would inevitably push some into bankruptcy, according to a survey published yesterday.

The results of the survey, carried out by The Forum of Private Business, show that the proposed uniform business rate coupled with a nationwide property revaluation is the least popular of four options open to the Government.

Forum members said their first preference would be for a form of local income tax based on a percentage of business profit.

That was followed by a policy of no change in the present system and in third place was an increase in value-added tax to cover the cost of local authority rates.

FINANCIAL TIMES

SURVEY

Steady deterioration in Czechoslovakia's economy, once Germany's industrial rival, has alarmed the country's political le aders. As a result, central controls are being relaxed and companies allowed a say in their own development. **Leslie Colitt** reports

The famous Charles bridge in Prague:within the past two years, cars have been virtually excluded from central Prague

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The necessity of reform

THE CZECHOSLOVAK leadership under Dr Gustav Husak sounds more and more like a beehive of economic reform despite its reputation as a rigid opponent of reformist ideas since coming to power in 1969.

What accounts for this seemingly radical change in outlook? Undoubtedly the steady deterioration in the Czechoslovak economy alarmed the political leadership. The nation is threatening to become an industrial museum with its relative position falling even within Comecon. Compared with the West - and Czechoslovakia before the Second World War was Germany's leading industrial rival in Central Europe - the decline has been even more painful.

Mr Mikhail Gorbachev's reform crusade in the Soviet Union *unquestionably also* spurred the Czechoslovak Communist Party and Government last December to adopt reforms which, rather obscurely, were called the 'principles of restructuring the economic mechanism.'

Under these principles, central planning is to concentrate on strategic issues while central administration is to be "drastically" reduced. Companies are to be placed on a "self accounting" basis without subsidies. *The state planning commission is to set binding, long term goals within which companies will operate instead of having to meet obligatory targets.*

Companies are to plan their own development and are to have a greater say in choosing their partners, including foreign ones. Net output and profit are to be the main objectives of management. Distorted prices along with interest rates, exchange rates and taxes are to be made more realistic. Wages are to be linked with performance.

The motivating force behind: the reform programme is Czechoslovakia's inability to modernise its economy using the old central planning system. Companies are smothered in obligatory targets and detailed directives from above. Meanwhile scientific and technological in*novation has reached a new* low, the authorities admit. Czechoslovak exports to the West - composed of nearly 60 per cent fuels and raw materials - resemble those of a developing nation instead of one of the oldest industrial societies in Europe.

Economic growth of less than 2 per cent(the plan stipulated 3.1 per cent) in the first half of *the year was, in real terms, neg*ative as much of output ended up as unsold stocks. The main economic targets in the current five year plan are virtually unattainable and the economy is now marking time until the next plan in 1991. The Government though says the current plan's objectives are still valid even if the targets are not.

Czechoslovakia uses 50 per cent more *energy and twice as* much steel per unit of output compared with advanced Western nations. Near record amounts of low quality and high cost (as well as extremely polluting) lignite are mined to generate electricity and heat homes. At the same time, highly subsidised energy prices - the price of coal has changed but once since 1919 - enable Czechoslovakia *to* export coal to the West while preventing the installation of anti-pollution devices, Mr Vlastimil Ehrenberger, the Minister of Fuel and Power said in an interview.

The only saving grace in this tale of economic woe is that Czechoslovakia, unlike Poland, Hungary and Romania, did not borrow heavily in the West for industrial prestige projects and *consumption goods. Prague pul*led the emergency cord five years ago when net debt to the West was only \$4bn and reduced it to \$2.8bn last year. But although Czechoslovakia retained the lowest debt per capita in Eastern Europe, it was a two edged sword. Urgently-needed investments in new plant and equipment from the West were postponed because of financial ultra-conservatism.

Imports from the West *to* re-equip Czechoslovak industry have risen sharply in the past two years. But with declining hard currency export earnings the only way to modernise industry is to increase imports of Western investment goods through greater borrowing. While senior economics officials realise this in principle, in *practice there is no internal* agreement yet on investment programmes.

In an interview for this survey, the head of the Government's economic reform programme, Mr Jaromir Matejka noted that under the new principles of restructuring, the planning system and the market were "inseparable". But he added there would be "no weakening" of the role of central management. His remarks strongly suggested that what the Prague leadership is seeking is a more streamlined central planning system rather than its weakening.

This however does not rule out the possibility that the breaking of the taboo on reforms may yet lead to a more forceful reform programme es*pecially* if economic performance continues to deteriorate. The present Czechoslovak leadership however is determined not to rush into what it regards as a potential minefield. Only by 1991, the start of the next five year plan, are the reforms to be introduced throughout the economy.

By that time Dr Husak, who is 74, is widely expected to have resigned as General Secretary of the Party. He was chosen in April 1969 after Soviet-led Warsaw Pact armies entered Czechoslovakia to end the nine month long Prague Spring under Mr Alexander Dubcek, the reform-minded Communist leader. In the "normalisation" period which followed only the most politically-reliable economics officials and company directors stood a chance of survival.

The ghost of the Prague Spring however refused to go away. Dr Husak noted recently that while the "word 'reform' was discredited" in 1968 by forces wanting to destroy the Communist Party, the "measures" drawn up under his leadership were aimed at strengthening socialism.

Mr Valtr Komarek, a highly *respected economist who heads* the Institute of Forecasting in the Czechoslovak Academy of Sciences, identifies three main groups and their attitudes towards economic reforms.

The first consists of the "efficient and well prepared" bureaucrats who drafted the reforms and who are absorbed in "techniques of management, altering indicators and monetary tools." But their path to economic reform, he notes, cannot be very successful.

The second group is highly politicised and consists of senior officials in the party, economic ministries, state planning commission and company managements who believe that even the present reforms represent a "dismantling of socialism."

They make up the "silent *group" Mr Komarek* says, which does not openly combat the leadership's reforms but which intuitively slows down and finally "breaks" them. If the party attempts to avoid conflicts with this entrenched bureaucracy then all its reformist documents, decrees and legislation are likely to come to nought.

The third group is the one represented by Mr Komarek and other like-minded economists. They note that what is essential is the creation of a "full-blooded market." Motivation cannot be stimulated without adequate supplies of consumer goods - imported and domestic - and alternation of the distorted relationships in wages, food prices,rents and consumer goods. They want to create a housing market and advocate that trade with the West be widened beyond the present insignificant 12 per cent of Czechoslovak total trade

These unspoken economists are unimpressed by the official debate over reform. It revolves, they note, around " the legalisms of reform." rather than essentials such as prices, the market and wages.

Faced with the obvious constraints placed on him by party doctrine, Mr Matejka understandably takes a narrower view of reforms. But he insists the state must not be allowed to interfere with the internal operations of companies. In the future he says industrial ministries will only issue general regulations valid for all companies. Furthermore, the government will neither permit a rise in the external debt nor "*uncontrolled*" price rises as under the Polish and Hungarian reforms. Least of all will it allow unemployment

"What we are doing may seem idealistic,"he says. We must respect the people's right to work."

By the end of next year nearly 50 companies, most of them with higher than average exports to the West, will be involved in an experiment begun this year to grant companies greater autonomy. Thus far though the experiment appears to be mainly geared at improving hard currency revenues by allowing participating companies to retain a share of export earnings which they may use to purchase machinery and equipment from the West.

The only sector of the economy to experience any reforms in *the past was agriculture and* as a result is relatively productive compared with industry. The spectacular example of the Slusovice collective farm in southern Moravia in expanding non-agricultural activities such as minicomputer manufacturing is being discreetly emulated by other farms.

In another low key attempt to tap latent private initiative, beginning next January the Government is to allow citizens to operate small shops and restaurants leased from the state. Mr Jaromir Zak, the Finance Minister, noted that only family members will be allowed to work in them and said profits would be strictly controlled.

"The state will make sure that no one gets rich on this" he said in a remark which neatly summed up the Government's attitude to private enterprise and economic reforms.

Industry

Companies to be 'self-accountable'

"OUR LONG INDUSTRIAL tradition," is a phrase frequently heard from Czech managers, officials and economists who use it in both pride and criticism.

It is used to explain the excellence of some Czech products as well as the shortcomings of others. Behind it lies the image of the skilled Czech worker who was building precision machines a century ago when the main industrial competition was in Germany.

Tradition, and the post-war Western embargo on exports to Eastern Europe, is often cited as the reason Czechoslovakia's industry offers a wide range of engineering goods. Ten years ago such manufacturing prowess was still regarded as a source of strength. Today, it is seen as a liability for a small nation which is being forced to restructure its increasingly obsolascent industry.

Suddenly, monopolistic Czech producers are being told that the "centre" - the state - will no longer plug the holes in their balance sheets, or lavish investment funds on them. Companies are to become economically "self-accountable", meaning they will have to provide their own investments and wage increases from profits.

Vague as the new prospects may be, they arouse little joy among company managers, or for that matter the entrenched industrial ministries and foreign trade organisations (FTOs).

The director-general of an FTO exporting heavy machinery and locomotives says, that they require tens of thousands of components bought from suppliers who enjoy a monopoly. What will happen, he wonders, to such essential components if the suppliers are unable to finance themselves? Deliveries are already precarious enough, with components from Poland and Hungary not arriving on time.

Managers of large companies agree that greater independence for them as envisaged by the new reforms may be fine for producers of simple goods, but is illusory for manufacturers of complex products.

"I don't say central administration should remain as it was," one manager of a large engineering company explains. "But certain planning priorities on the supply of components are essential."

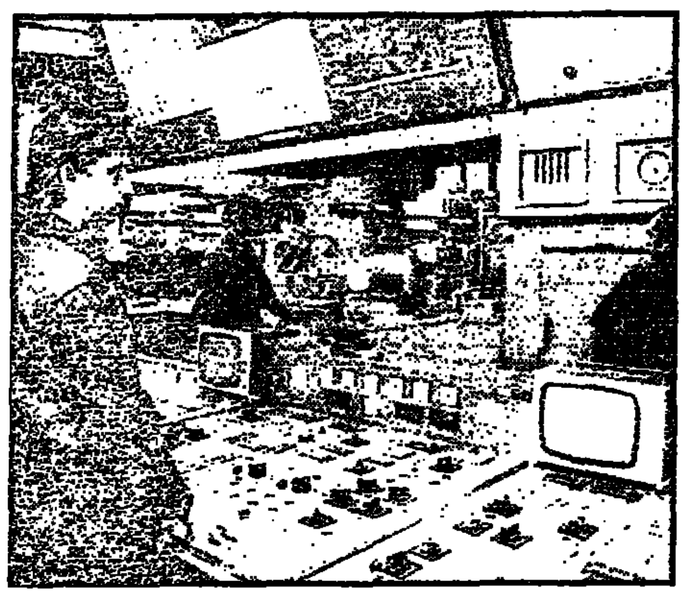
The same manager says that "overall coordination from the top" is also needed for large joint investment projects in the Soviet Union. One of them, the construction by Czech companies of metallurgical plants at Krivoi Rog in the Ukraine, involves 2,200 workers from Czechoslovakia.

Costly investments like these are necessary if Czechoslovakia is to get the raw materials and energy it needs from the Soviet Union.

Yet another barrier to greater independence and economic self-sufficiency of companies which is frequently mentioned by the managerial bureaucracy is the crucial question of investments to modernise production. Who, for example, will pay for a new tram factory and other large projects if not the state?

The point they make is that they have no inclination to be made responsible for investment decisions taken at the top which could be proven ill-founded in coming years.

"How do we know there will be demand for all those trams in the future?" asks one sceptical manager. He and his colleagues argue that if companies are to finance their own investments, then the state at least must make good eventual losses. After all, they say, the



The control pulpit in the new roll mill at the Kralodvorske stainless steelworks, Beroun. The mill is designed to handle complex-shaped products used in chemicals, pharmaceuticals and consumer goods

"centre" planned everything in the first place.

The government is determined to reduce subsidies and to improve innovation and the competitiveness of industrial output. These are the motivating forces behind the current Reconstruction (Pestavba) of the economic mechanism, as the reform programme is discreetly called.

This year 22 companies have been given a degree of autonomy under an "experiment" which is to include 27 additional concerns next year and is gradually to encompass much of the country's industry. The reforms are to come fully into effect during the next Five Year Plan beginning 1991.

Mr Jaromir Matejka, the Deputy Minister who is secretary of the government committee on the economic reforms, says that although the state would not be allowed to "interfere" in company operations, there would also be no "weakening of the position of the centre."

Until now, he says, companies were subordinated to a welter of instructions from the state planning commission, the industrial ministries and the Ministry of Finance. In the future, the state plan would include everything "relevant" to companies but not obligatory targets for them as previously. Ministries would only issue general regulations which apply to all companies.

One of the tasks of the state which must be strengthened, Mr Matejka says, is the support of strategic technological programmes as in the West. In addition, central management should be able to impose mergers when necessary and ensure the monetary balance.

Czechoslovakia's chief reformer explains that the bank of issue, the state bank, could be "completely separated" from commercial banks, which would probably be allowed to compete against each other. "All these matters are under consideration."

The number of ministries would in all likelihood also be reduced but not to the point as in Hungary of only one industrial ministry.

The ministries themselves, Mr Matejka emphasises, are to "control branches of the economy and not companies." Thus the Ministry of Heavy Machinery would manage the strategy of the branch's overall development and take care of foreign trade policy as well as major investments.

"This does not represent direct control of companies under the Ministry," he insists.

Is he then in favour of a socialist market economy? The plan and the market are "not contradictory but are inseparable," he explains, but warns though that an "uncontrolled" market is undesirable, as is "asocial behaviour" by companies. One such example is to allow companies to raise prices on their own.

Underscoring the cautious approach to reforms compared with the Soviet Union, Mr Matejka says personnel changes would take place only as restructuring proceeded. He bristles at the question whether the same Prague leadership which had opposed reforms since 1968 could now be expected to implement them.

Touching on a sensitive subject, he notes that the big difference between economic reforms in Czechoslovakia and Hungary has to do with the "quality of central management" in the two countries. Czechoslovakia, he observes, is economically far more developed, has greater technical expertise and "historical experience."

In an earlier interview with a Czech paper, Mr Matejka forecast that the abolition of economic administration by middle-level bureaucrats would meet with fierce resistance from them. The main danger facing the reforms, he agreed, was the same which buried the 1980 Set of Measures to improve economic performance. The central bureaucracy simply refused to comply with the instructions of the party and government.

The leadership must "literally compel" the central administrators to change their behaviour and attitudes towards the reforms, Mr Matejka said in that interview.

But economists at the Institute of Forecasting of the Academy of Sciences in Prague are more sceptical about the government's will to reform. They note that the present discussion in the official media is about the "legalisms of reform" and not the essentials such as prices, the market and wages. The new Law on State Enterprises, they note, will not eliminate company monopolies which only the market can do.

Mr Karel Dyba of the institute says that a vital issue is whether parts of the huge monopolistic companies would be broken up and given independence. Another important question is the future of the planning commission which is to concentrate on strategy and not operational details as in the past.

In practice, he suggests, it might be difficult to distinguish between the two. Unfortunately, however, there was little discussion on this important subject. Similarly, if physical planning by the "centre" is to be abandoned, then the state bank should be given greater independence and responsibilities, Mr Dyba says.

Mr Matejka's reply to the critics is that the government aims to create more "efficient" central management and "of course, independent and autonomous enterprises."

Leslie Colitt

Profile: CKD

Tram maker seeks orders from West

THE GIANT CKD Company, one of the country's two largest engineering enterprises, turns out high tech compressor stations for Soviet gas pipelines and is Comecon's leading producer of the humble tram.

CKD's output of trams accounts for one third of the 60,000 operating worldwide. Eleven thousand have been exported to the Soviet Union and 3,500 to East Germany, its two main markets.

The choice of Czechoslovakia to specialise in trams was a typical Comecon division of labour. In 1971 Prague agreed to stop producing railway passenger cars, which were assigned to East Berlin, while the East Germans agreed to stop making trams. Only the Soviet Union and Poland were allowed to continue producing their own trams but only for their own domestic use.

Mr Jindrich Benes, general manager of CKD's tram division, says the annual output of 1,000 trams is sold out to 1990. However, capacity will be doubled when a new plant, begun in 1985, is completed sometime after 1990. The old plant was built in 1852, 20 years before CKD was founded as the Czech-Moravian machinery works.

In principle, Mr Benes says, CKD could also supply "made-to-measure" trams to the West when the new plant is completed. High-speed trams for suburban use are being readied for production after 1990.

Last year a delegation from Norrkoping, Sweden, visited CKD to study its trams for an expansion of the city's transport system. The delegation also visited West Germany, whose tram producers use more sophisticated electronics, according to Mr Miloslav Kocarek of Pragoinvest which exports CKD products.

The compressor stations which CKD began producing this year for the Soviet gas pipeline have three sets of electric motors, each delivering 25 megawatts, instead of the gas turbines normally used. CKD says these are among the largest motors being used for pipelines.

CKD is also one of Europe's biggest manufacturers of diesel-electric locomotives, turning out 500 units annually. Over the years it has exported 6,000 locomotives to the Soviet railway system, by far its largest customer.

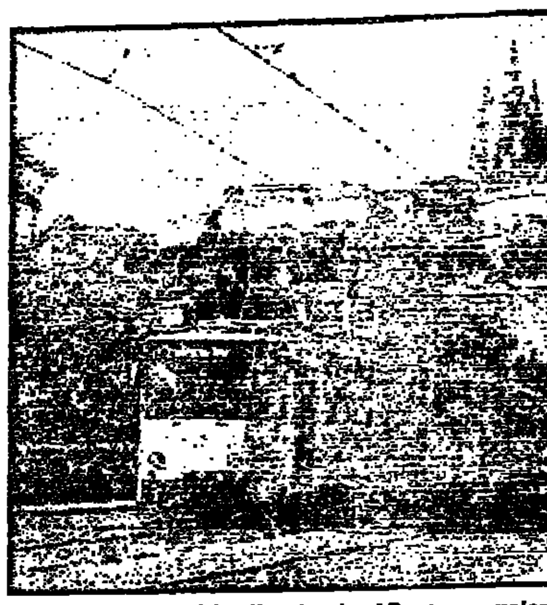
Mr Kocarek says with satisfaction that the company has virtually no complaints from its Soviet buyers. He attributes this to the large series production of its locomotives which he says enables workers to build them "from memory, without using drawings." Companies such as CKD, Skoda and Tatra are also important arms manufacturers, one of the more profitable hard currency exports.

"We in Skoda produced weapons up to 1945 and have not lost this capability," Mr Kocarek says with a note of pride.

However, CKD has one secret weapon in its arsenal which is probably its most powerful. It runs Czechoslovakia's largest sports association, supporting 19 sports clubs including last year's national soccer champions. Seven players in the Czech national soccer team play for CKD.

Hanna Mandlikova, the tennis ace, is a product of its Sparta Club, as is Helena Sukova. Recently, one of its ice hockey players was sold to the Calgary Flames team of Canada by the Czech sports federation.

Leslie Colitt



CKD's sturdy tram plying the streets of Prague: a major Czechoslovak export to the Soviet Union and Eastern Europe, it is now hoping to attract orders from the West.

Profile: Skoda

New model reaches the road

SKODA IS ONE of Czechoslovakia's engineering giants but to Westerners the name evokes a cheap, rugged but not very attractive rear-engine car which was conceived in the mid-1950s.

But for not much longer. Last month's Brno engineering fair saw the introduction of a wholly new Skoda, designed by Bertone of Italy. The Skoda Favorit is a five-door hatchback with front-wheel drive which, not surprisingly, resembles the Fiat Ritmo.

A whole family of new Skoda models will emerge in coming years but for the time being the new Favorit, designated the 136L, will be the standard bearer. Skoda's old model, the 120L, will continue to be produced and therein lies a tale of inadequate preparation for the new model.

Skoda is planning to produce a first batch of some 200 Favorits which are to be test driven before series production can be launched next year. About 70,000 are to be produced in 1988 along with 120,000 of the 120Ls. The entire output of new Favorits will be sold in Czechoslovkia in order to assure better quality control, the company says.

This means that Skoda or more precisely Motokov, its foreign trade organisation, will continue to export the old low-price model to the West until the end of next year instead of the more expensive new one. This may defy economic logic but it is the result of poor planning, delays in government loans for hard currency purchases of machinery and equipment, and production problems encountered at the Mlada Boleslav plant and supplier units.

Therefore it will be 1989 before the first Skoda Favorits can be sold in the West and reap the hard currency they were designed to earn. Westerners are assured the delay will have no influence on the quality of the car which is said to be greatly improved over the old model.

The Favorit has a drag coefficient of 0.36, a 1.3 litre aluminium alloy engine with electronic ignition delivering more than 60hp, and a five-speed gearbox. Fuel consumption is said to be low with the help of a twin-choke Pierburg carburettor produced under licence.

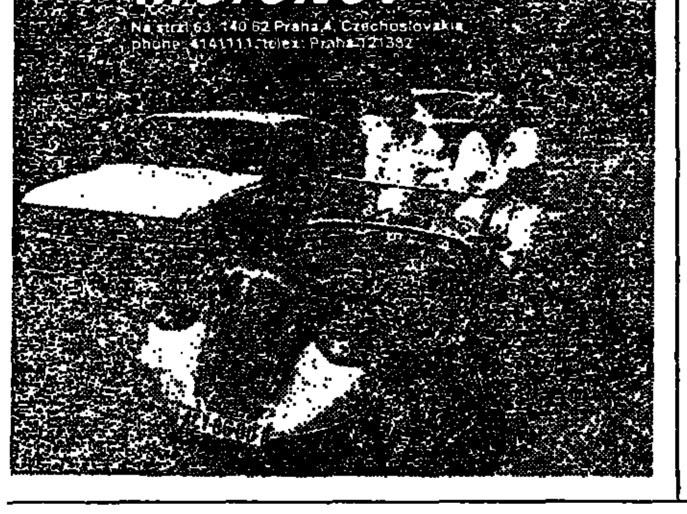
Similarly, the car has Girling brakes and many other components from major Western companies. The engine has been designed so that a catalytic converter can be fitted and much has been done to improve rust resistance.

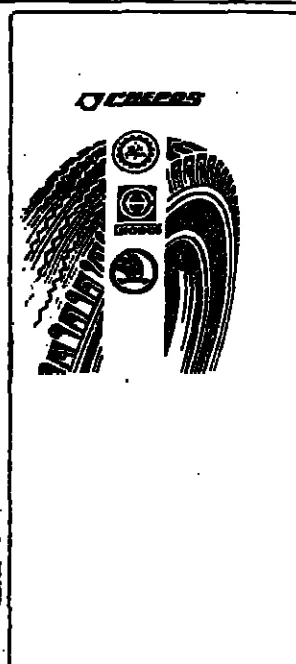
The plan is to shift total production to the Favorit in 1989 and gradually increase output from the present 180,000 cars to 190,000 annually in coming years. It is hoped that the new model will be an even better seller on Western markets than the previous one, but this will require very competitive pricing as the Skoda faces enormous competition from more than a dozen lookalike cars.

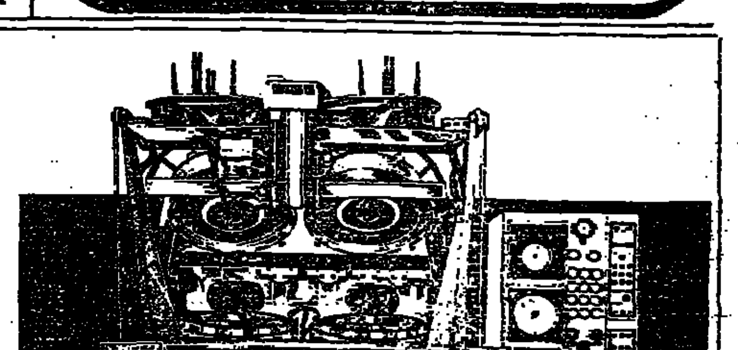
Its biggest rival on price will undoubtedly be the new Soviet Lada Samara hatchback which is keenly priced in Western Europe. Skoda has sold between 10,000 and 12,000 cars a year in the UK, its biggest Western market, and also does well in the Benelux countries and Denmark, and will not want to lose sales by pegging the price too high.

Representatives of Motokov are quoted as saying the Skoda Favorit will probably go on sale in West Germany for "at least DM13,000", a figure greeted with some scepticism by German motor writers who note that the new Lada, a three-door model, sells for DM11,000.

Leslie Colitt







Foreign trade

Hard cash sales fall

"WHY DO WE import raw jute from India?" a senior Czech Trade Ministry official asks aloud. Then he replies: "Simply to keep an obsolescent factory going which processes jute in northern Bohemia."

This is but one of the vagaries of foreign trade in Prague (and elsewhere in Eastern Europe). Last year 78.6 per cent of Czechoslovakia's trade was conducted with Comecon and other socialist countries. The remainder was with the industrialised West and developing nations.

According to a senior foreign trade official, the aim is to increase the share of trade with the West to 30 per cent - where it stood in the 1960s.

In recent years, Czechoslovakia has experienced a steady decline in its hard currency exports which, in the absence of significant borrowing, have largely financed imports from the West. The dilemma is that imports of advanced technology items from the West will have to be boosted to replace obsolescent industrial plant and equipment.

The high proportion of fuels and raw materials in Czechoslovakia's exports to the West have hit the trade balance at a time when machinery exports to developing countries have plummeted because of payments problems. These countries have also delayed repayment of Czechoslovakia's loans to them for machinery purchases, which is affecting the balance of payments.

The state bank says the hard currency export surplus last year was $550m but most Western sources give a figure of $240m compared with a $340m surplus in 1985. State bank officials suggest the discrepancy arises because of statistical differences. However, the problem is exacerbated because Czechoslovakia does not publish a breakdown of its hard currency earnings but gives only aggregate figures in Czech koruna.

Mr Jan Garcar, a deputy Foreign Trade Minister, notes that the balance of payments is being "very negatively" affected by $1bn in deferred payments. The Foreign Ministry also confirms expectations by Western bankers of a deficit this year in both the hard currency trade and payments balances, the first such shortfall since 1979.

Originally, the plan for 1987 specified that hard currency exports were to rise 4.2 per cent while imports were to increase 5.8 per cent. These ambitious targets were revised last spring when a Czech economics journal reported that exports would grow by 0.6 per cent and imports by 3.9 per cent.

Mr Garcar says that in his view the new payments situation means that Czechoslovakia should "accept more credits." He adds, however, that there are differences of opinion in the government over the extent of new loans needed.

Officials at the state bank, on the other hand, note that while Czechoslovakia is ready to step up borrowing it is difficult at present to decide where to invest the money.

"The borrowing must be connected with a programme," Mr Jaroslav Kroh, chief manager of the state bank, explains.

This year Czechoslovakia raised $220m through an international syndication loan at the tightest terms yet obtained by an East European borrower - ⅛ point over Libor over ten years with an eight-year grace period.

Czechoslovakia, with the lowest per capita debt in Eastern Europe, managed to reduce its net debt from about $4bn five years ago to some $2.8bn at the end of last year.

To increase the impact of foreign markets on Czechoslovakia's industry, the foreign trade organisations (FTOs) of leading companies are being integrated with the producer. Thus Skoda export FTO has been merged with the Skoda engineering company in Plzen and Pragoinvest, the FTO for the giant CKD engineering company, has been merged with it in Prague.

One benefit, according to an FTO official, is that while two contracts were needed previously with a foreign company - one with the company and one with the FTO - only one will be needed now which means a "certain shortening" of the negotiating procedure.

One thing the reorganisation does not mean is better access by Western companies to the producer. The FTO will continue to provide the main link between producers and foreign markets.

Mr Bohumil Urban, Czechoslovakia's Foreign Trade Minister, also stresses that the strengthened relationship between FTO and producer will not alter the "centralised and integrated management of foreign trade."

Somewhat belatedly, Czechoslovakia has recognised the potential in joint ventures with Western companies and is introducing a joint venture law.

The first joint venture, Tessek, was set up last January under existing laws between a Danish company, Senetek, and Tesla Electronics in Brno. Tesla also set up a joint venture company with Philips of the Netherlands in July which is to produce 500,000 video recorders annually in Czechoslovakia by the early 1990s.

This joint venture is part of the overall attempt to reverse the worsening structure of Czech exports to the West and to solve the difficulties in trade with the Soviet Union, Prague's largest trading partner.

The reforms launched by Mikhail Gorbachev led to changes in investments which directly affected the country's traditional exports to the Soviet Union. "Machinery," Mr Garcar says, "has now become a big headache for us." Further, checks on goods exported to the Soviet Union last year showed that 14.1 per cent of them had flaws of one kind or another.

Mr Gorbachev's pet project of forging direct links between Soviet and East European companies has been taken up by scores of Czech companies. But the problems they encounter are not much different from what happened when the well-known Sigma Pump Company signed an agreement with a Soviet company producing equipment for the oil industry.

A submersible piston pump was jointly developed with the Soviet side providing the design and the Czechs the technology. The new pump was conceived in only eight months and two prototypes were made. But at this point progress ground to a halt. Czechoslovak and Soviet FTOs haggled over the price for more than a year without agreement and the two prototypes could not be tested even by Soviet oilmen.

Mr Miroslav Balhar, Sigma's chief of technical development, says the company's management should have known that the method of setting prices in the Soviet Union differs from that in Czechoslovakia.

This incident, recently documented in the Czech press, highlights a major problem Czechoslovakia faces in its trade with Comecon: prices bear little relationship to the costs of inputs.

Leslie Colitt

Joint ventures

Slow to accept the challenge

CZECHOSLOVAKIA IS facing a challenge posed by growing acceptance of joint ventures in relations both with Western countries and Comecon partners but so far progress has been slow.

Indeed it is only recently, and some time after other Comecon members like Hungary and Bulgaria that Czechoslovakia decided to encourage joint ventures with Western capital. Last year prospective Western partners were handed a brochure from the chamber of commerce which provided a legal framework - knitted together from a number of laws and regulations promulgated over the last 40 years.

Among other things, these have laid down that 51 per cent ownership of any joint venture has to be in Czech hands and that the manager has to be a Czech national. So far no specific law on the subject has been forthcoming but one is promised from Parliament next year. Also investment protection agreements have yet to be arrived at. But talks with the Belgians are planned and any resulting treaty, the Czechoslovaks say, would serve as a model for other countries.

In the meantime Mr Emilian Vosicky from the Ministry of Foreign Trade is keen to encourage offers from Western countries and would welcome initiatives from the UK. "Those who wait might come too late", he says, pointing to Prague's favourable geographical location. "Here we are closer to Munich than Munich is to Hamburg."

The Czechs want to achieve technology transfer and to attract Western capital. "We don't expect miracles," Mr Vosicky stresses,pointing to Hungary's experience with joint ventures. "But they could help us solve some innovation problems."

A couple of companies have decided to go ahead despite the fact that questions like tax provision and repatriation of profits have to be negotiated with the Czechs in each case. The first joint enterprise is Tessek which got under way in January of this year and employs around 100 people in Czechoslovakia and a few at a subsidiary in Denmark. It was set up between Tesla, a Czech electronics company and Senetek from Denmark.

The Czechoslovaks have provided the know-how in chromotography and biotechnology while the Danes put in the hard currency, automated equipment and are responsible for marketing in the West.

This venture is small but, in April, Phillips of Austria signed an agreement with Tesla again for the production of video recorders. Here output of 200,000 units is promised next year rising to a target of 500,000 units in the early nineties. The VCRs are to be sold on the Czech domestic market, in the West and elsewhere in Comecon. In effect, under the joint venture, Phillips' VCR production capacity in Austria is being moved to Czechoslovakia.

Czechoslovakia was already assembling Phillips VCRs before the joint venture agreement was signed. Even so, the Dutch group had to fight off stiff competition from the Japanese Toshiba company to secure the joint deal.

A natural base for development of joint ventures are industrial co-operation agreements which Czech enterprises have with 120 Western partners, two thirds of them with West German companies. They account for 1 per cent of Prague's trade turnover with the West. Yet, surprisingly perhaps, there is little evidence so far of West German interest in joint ventures here. But Mr Vosicky cautioned that technological and economic change in the East are such that unexpected developments are possible.

Within Comecon, Mr Mikhail Gorbachev has put direct co-operation between enterprises on the agenda. Last November Czechoslovakia agreed a list of 125 companies with the Soviets which would explore ways of increasing links. The list so far contains no consumer durable goods producers. It concentrates on the machine, chemicals and foodstuffs industries. But the whole idea is in its infancy. The Czechs are aware that changes in economic mechanisms are coming and these will define future co-operation. "We are on the threshhold of the biggest changes since the October Revolution," says one official. But for the time being there are legal, planning and price problems.

Only recently for example a pricing dispute over a submersible piston pump from the Sigma company developed jointly with a Ukrainian enterprise, had to be resolved by top level Soviet energy officials. Development of the pump had taken eight months. Testing in Siberia was held up for a year while foreign trade enterprises haggled over the price.

Such snags mean that these forms of co-operation still do not influence general Comecon trade turnover. But they can be used by enterprises to work together outside the strict limits of bilateral five year and annual trade protocols.

Christopher Bobinski

Energy supplies

Nuclear power moves to the fore

Even the severest critics of nuclear power in Czechoslovakia relapse into a glum silence when shown the acid rain afflicted forests of northern Bohemia. The devastation has been wrought by the 3.1m tonnes of sulphur dioxide deposited annually, mainly by the brown coal fuel power stations which still provide the lion's share of the country's electricity.

Seven years ago the Czechoslovak authorities decided to baseall further power development on nuclear energy and now the country has one of the most ambitious programmes of atomic power station construction as well as atomic engineering in Europe.

This year nuclear power stations will produce 23 per cent of the electricity consumed in the country and this share, it is planned, will rise to more than 50 per cent by the end of the century.

The programme of reducing the share of coal-based energy output is also accompanied by an energy conservation drive which aims to reduce consumption in the present five year plan by 16 per cent, twice the rate achieved in the first half of the 1980s.

The atomic energy lobby has argued that their kind of power is cleaner than thermal energy. Their arguments are bolstered by the fact that reserves of brown coal, which are the next most important power sources, if exploited at present rates, will run out by the year 2010 and hard coal, of which a mere 26.5m tonnes were produced last year, will last no longer than a century.

Atomic power is gaining fast now that construction delays experienced in the early 1980s have been ironed out. In the first six months of this year, electricity output at 43.5m kilowatt hours grew by 3.6 per cent compared with the same period last year. At the same time, nuclear output grew by 21.7 per cent, hydro-electric power by 17.4 per cent and thermal power output fell by 2.8 per cent. At present there are eight units with VVER 440 megawatt reactors in operation in the country, the oldest at Jaslovske Bohunice and three reactors were commissioned at Dukovany last year, while a fourth is due to come on stream this year.

Construction of a further four reactors is under way at Mochovce and one a year is due to be commissioned between 1989 and 1992.

Temelin, the first power station to adopt VVER 1,000 megawatt reactors and the only one to be equipped with an external safety shield, is due to come on stream with four reactors between 1992 and 1997. According to Mr Stanislav Havel, the head of the country's atomic energy commission since the early eighties, work on another power station will start at Kecerovce within two years and a further station is to be sited at Blahutovice in northern Moravia.

Safety and rising costs are a concern and indeed one has bearing on the other. Mr Havel admits that planning commission finance officials are becoming agitated at growing construction costs. A study by the National Bank shows construction costs at Bohunice and Dukoveny were up by 50 per cent in the current five year period over what they would have been in 1981 and 1985. Temelin will be even more expensive. Mr Havel responds 'our responsibility is to build the stations and make sure that they are safe, costs are the responsibility of the planners.'

Mr Zdenek Kriz, who is responsible for nuclear safety in the commission adds that post Chernobyl safety precautions and additional training of personnel were also pushing up costs. The implementation of a report on safety done by the Czechs last autumn has resulted in additional welfare and pay benefits for nuclear power personnel, of whom there are some 3,000 in Czechoslovakia.

Wages for an operator for example start at 6,000 crowns, the national monthly average. Personnel have to take medical tests regularly and a two year course on top of a college degree is necessary to obtain an operator's licence.

After Chernobyl the country's atomic monitoring system has been strengthened and up to date equipment from the US installed.

Czechoslovakia has a monopoly in Comecon of production of Soviet-designed VVER 440 megawatt pressurised water reactors and between 40 to 50 per cent of the capacity at the Skoda enterprise is devoted to nuclear power engineering.

Czechoslovakia is heavily dependent on imports of oil and gas from the Soviet Union. By the end of the century the share of oil in energy consumption is to drop from 22 per cent now to 13 per cent, while natural gas will grow from 10 per cent to 20 per cent. The additional gas supplies will come as part payment for construction of pipelines in the Soviet Union. Oil imports at 16m tonnes make up some 98 per cent of total purchases abroad. But the situation is eased by the fact that the Soviet oil price, which reflects the average world price for the previous five years, is now coming down by some 10 per cent a year.

Christopher Bobinski

The political scene

Glasnost makes itself felt

THE NORMALLY austere Dr Gustav Husak, General Secretary of the Czechoslovak Communist Party and President of Czechoslovakia, recently surprised his countrymen by plunging into crowds to shake hands and chatting with factory workers as if he were up for re-election.

Dr Husak may well have been inspired by Mr Mikhail Gorbachev who visited Czechoslovakia last April and chatted with enthusiastic supporters of glasnost and perestroika.

Apart from their common background in legal studies - Dr Husak however became a doctor of laws in bourgeois Czechoslovakia in 1937 - the Soviet and Czechoslovak leaders have contrasting personalities.

Dr Husak is an orthodox Leninist despite the searing experience of his arrest in February 1951 and sentencing for anti-party activities in 1954. He was released from prison six years later, rehabilitated and given back his party membership. This episode in his life may explain his reluctance to stage mass trials of opponents of 'normalisation' after the 1968 Soviet occupation

His only even remotely likely successor is Mr Milos Jakes, the Central Committee Secretary responsible for the economy, who is backed by Mr Lubomir Strougal, the vascillating Prime Minister who now strongly advocates reforms. Mr Jakes is opposed by Mr Vasil Bilak, the party's hard line ideologist who earlier this year warned about what happened in 1968 when economic reforms were on the party's agenda.

But Mr Jakes's biggest problem, the officials note, is that in the public mind he too 'represents the past.'

The government's recent disclosure that it is considering a reform of the legal system could benefit political dissidents and religious activists.

Belatedly the authorities realised that the trial last March of five leading activists of the banned jazz section of the Czech Musicians Union did nothing to improve the government's image abroad at a time when it is seeking improved contacts with the West. The jazz section, with its more than 6,000 members was the most potent oppositional voice in Czechoslovakia with the exception of the Catholic Church which the leadership has fought bitterly in recent years.

But the best known dissident organisation is Charter 77 which arose in January 1977 when a group of citizens petitioned the government to fulfil the civil rights obligations it had accepted in international accords and its own constitution.

Mr Vaclav Havel, Czechoslovakia's best-known playwright and a signatory to Charter 77 says police pressure on Charter's most prominent members has lifted although it continues against lesser-known sympathisers.

Along with other Charter signatories, who number less than 1,000, Havel is unable to even travel to other East European countries. This past summer however the playright took part in a secret meeting at the Czechoslovak-Polish border with leaders the banned Polish trade union,Solidarity,which called for the respecting of human rights and social freedoms.

Mr Havel says many Czechoslovaks sympathise with Charter 77's goals but express their views in the highly developed sub-culture of country and rock music, folk theatre and even antique cars.

Leslie Colitt

Tourism

Charms of Prague on foot

BIASED I certainly am, but Prague to me is the most captivating Central European city whose appeal is irresistible at any season of the year.

Its charm and atmosphere today are due in great measure to the efforts put in in recent years to restore many of the buildings to their former glory before the car took over. Twenty years ago, the city's wealth of medieval, baroque and art nouveau architecture was smothered by layers of grime and corroded by vehicle and smokestack emissions.

In the past two years, however, cars have been virtually barred from much of the Old Town district, as well as modern Prague's Wenceslas Square (Vaclavske Namesti). Now, you can stroll in a pedestrian area stretching from the National Museum at the head of the elongated square - actually a boulevard - to the Vltava river, which divides Prague in two.

The costly restoration of medieval burgers' houses, baroque palaces and churches has transformed Old Town Square (Staro Mestske Namesti) and the adjoining streets, but much remains to be done. Frequently, the restoration is more like major surgery, with old corroded brickwork totally removed from behind stucco facades, which are painstakingly restored. As one old building is recreated, a half a dozen others are close to collapse elsewhere in the Old Town.

The exclusion of cars from central Prague - the exception being deliveries to hotels and shops and hotel guests arriving by car - was made possible by the construction of a Metro system, which extends for more than 30 kilometres.

Travel by the Metro is cheap, Koruna 1 (about 20 cents), and quick. In fact, using a car in Prague is a burden for tourists because the historical core of the city is now largely off limits for motorists.

For the tourist, getting about by Metro does require an eye on the street map, however. Hradcanska (Castle) Metro station, despite its name, is a good distance from Prague Castle (Hradcany). The best way to reach the castle is to get out at Malostranske Namesti Station and to walk up the narrow streets to Castle Square.

ONE OF THE most memorable stays I had in Czechoslovakia was with an elderly lady in Brno, who rented her living-room, with a large comfortable couch to me during the Brno Engineering Fair.

The flat was straight out of pre-war Czechoslovakia, beautifully furnished and with a wall lined with books - nearly all from the old Republic. It turned out that her late husband had been a well-to-do businessman until he was arrested in 1948, when the Communist Government took power. The wife, who had led the most sheltered of existences, was now forced to go to work. She was assigned to become a crane operator in a local factory.

It must have been a difficult adjustment, I remarked to her over coffee she served from delicate porcelain cups in the living-room.

'It was not always easy, but operating a crane was a marvellous experience,' she exclaimed. 'For the first time in my life I broke out of my cocoon and was able to prove myself.'

My elderly landlady had since retired from that job but still regularly visited the factory for a chat. She also bounced from one cultural event to the next and was shortly to leave for Yugoslavia on holiday.

Her daughter, who lives in the West, was unable to study in Czechoslovakia because of the family's bourgeois past. But the mother proudly showed me photographs of the daughter, now a successful paediatrician, standing in front of her villa in the West. She was soon coming back to Czechoslovakia for a visit, the mother told me, holding tightly to the photograph.

The view over Prague is unforgettable and just below the stone railing is a small cafe with a delightful garden, where you can relax over coffee and cake.

Inside the castle walls, Vitus Church has been closed for repairs and is likely to remain inaccessible for some time. The same is true of Teyn Church on Old Town Square, which has been under renovation for several years.

The 19th and 20th Century art collections in the Sternberk Palace, on Castle Square, should not be missed. The palace houses major works by Cezanne, Renoir, Degas, Pissaro, and Van Gogh, which are on the ground floor, along with several Picassos, including his self-portrait of 1907. And there are important works by Braque and other Cubists.

A short walk from Castle Square leads to Loretta Monastery, with its amazing collection of diamond and gold monstrances, saints' crowns, and cult objects. Just outside the monastery there is a charming restaurant, U Lorety, which serves outdoors in the summer months, and offers a splendid view of Cernin Palace, which houses the Foreign Ministry.

Prague's night life is among the most active in Eastern Europe, offering many bars and night clubs with dance and entertainment. But more typical are the intimate wine restaurants and beer cellars, the latter offering an opportunity to rub shoulders with the local people who, even if they speak nothing but Czech, are extremely friendly towards Westerners.

For draft Pilsener try U Dvou Kocek in the Old Time at 10 Uhelny Trh. As in all taverns, one sits together with other patrons at tables.

Prague also offers excellent jazz and a list of performances can be obtained from the Reduta in Narodni Street and Malostranska Beseda (tel.539024). Czechs also have a special way with medieval music and, if possible, try to catch a performance by a very gifted ensemble called the Rozmberska Kapela, which sometimes plays at the Atrium. It will make your evening.

Taking the waters at the famed spas of Carlsbad (Karlovy Vary), Marienbad (Marianske Lazne) and Franzensbad (Frantiskovy Lazne) is increasingly popular among West Germans and Austrians. An extra attraction is provided by tennis instruction from a Czech pro.

As for the rest of Czechoslovakia, this elongated country offers an enormous variety of scenery, from the alpine Tatra mountains to the vineyards of Slovakia and Moravia and the rolling hills and castles of Southern Bohemia.

For a variety of reasons, the number of Western visitors to Czechoslovakia has stuck at about 1.3m annually for the past 12 years. Last year they brought in $80m in net income, which Mr Vaclav Marhoul, general director of tourism, called "disappointing."

More worrying, according to Mr Marhoul, was the social make-up of tourists from the West. Only one third of them are in the middle- or upper-class, and there are practically no wealthy tourists who visit Czechoslovakia, he says.

At the same time, the country is flooded with more than 16m tourists from other East European countries who, he notes, do nothing to enhance the "quality" of the country's tourism.

Most of these visitors, in fact, are on excursions - mainly shoppers who come in the morning and depart in the evening. Five to six million annually come from East Germany, more than 3m from Poland and nearly as many Hungarians. Their economic impact, however, is minimal and Czechoslovakia is not encouraging more Easterners to come.

Westerners, however, are quite another matter. Hotel construction was badly neglected and only now is a big new five-star hotel, the 1,078-bed Forum, being built in Prague, with a $75m Austrian loan. A smaller Forum Hotel is to be built in Bratislava, the Slovak capital, with a French loan.

Existing hotels are often obsolescent and, one might add, high-priced, considering the level of comfort. Mr Marhoul acknowledges that the quality of service leaves much to be desired.

This weakness in catering fully for tourists extends to Prague Airport, which is thoroughly dated although it was built in the late 1960s, and to a lack of comfortable railway carriages and luxury buses.

Speeding up entry into Czechoslovakia is another priority. The issue of visas on demand at the border is being considered for next year, and at Prague Airport at a later date. Mr Marhoul points out that tourism (from the West, of course) can earn Czechoslovakia hard currency 50 per cent more efficiently than other branches of the economy.

Until now, however, there was no connection between the dollars or D-Marks a hotel or spa earned and the amount of hard currency it was permitted to invest. This is to be changed under a new foreign currency regulation to be introduced by 1989 at the latest.

It will allow companies engaged in tourism to retain a certain proportion of their income for their own use, such as renovation or promotion in the West. If the authorities allow private citizens to open up cafes and restaurants, as they say will be possible, this could greatly improve Czechoslovakia's attractiveness to Westerners. A further desirable step needed to combat the shortage of hotel rooms would be allowing Czechsto rent rooms to tourists in much the same way as Hungarians and Yugoslavs do.

Leslie Colitt

Agriculture

Achievement of self-sufficiency

THE STACKS of pork cutlets piled high in the food shops and snack bars along Prague's Saint Wenceslas Square bear eloquent testimony to Mr Miroslaw Toman, the Czech federal deputy premier and farming minister's assertion that "the state of agriculture doesn't worry me".

Despite this year's delayed harvest the grain yield is still the third best since the second world war at 11.5m tonnes and meat consumption of around 85 kilos per capita is seen as high by the authorities who would like to see it come down.

This year too the authorities are having to worry about surpluses and Mr Toman says that the 100m litres of milk produced in excess of the country's needs is a headache.

"We can't export it and I don't want to sell it abroad on credit", he says. "Some of it is being used to improve the variety of dairy products on the home market but it is a problem I admit". The pricing system is set so that farms producing 3 per cent more than their contracts with the state stipulate have to accept a 10 per cent drop in agricultural price.

Overall, Czechoslovakia has become a net exporter of food for the first time ever. This self-sufficiency provides much satisfaction for agricultural officials. They are proud of their country's large-scale farming system which has replaced the 500,000 private farms which existed in the 1940s, and the fact that farming, and especially its co operative sector, is now seen as a model for the reforms in industry, which the authorities say they want.

Even the short lived liberalisation in 1968 saw little challenge to the existence of the cooperatives which use 63 per cent of the land as against state farms' 30 per cent.They were set up in the 1950s via varying degrees of persuasion and coercion. The farms are large with 1,677 cooperatives employing an average workforce of 400 and cultivating on average some 2,500 hectares.

The state farms, of which there are 226 are larger, averaging just over 6,000 hectares in size. All in all, the farming sector employs around 890,000 people and the jobs are prized with queues for employment in some of the very successful cooperatives as well as for agricultural colleges. Indeed,the average monthly income of 3,150 crowns is higher than the average for the economy overall of 3,050.crowns

Adequate supplies of equipment and fertilisers help to explain the good performance

It is also clear that, in contrast to industry, the spark of entrepreneurship has survived in the cooperative farms.Their economic results and yields are generally better than the state farms. In 1984, for example, the gross output per hectare in the cooperatives, was worth just over 16,000 crowns while in the state farms it was just under 13,000 crowns. Grants and subsidies per hectare for the co operatives at 161 crowns were three and a half times lower than support for state farms, and while profits and yields in the co operative farms were higher than in state farms, average wages were somewhat lower in the former.

The co operatives have also used their independence, which only now as reconstruction (the Czech version of the Soviet Perestroika) gets under way, is seen by the bureaucracy as a virtue, to expand into other fields of production. This is best symbolised by the phenomenal success of Slusovice, a co operative farm in Moravia 220 miles east of Prague, which has made a go of farming on less than good soil in hilly country, and is now advising farmers in the Ukraine on how to increase their yields. On top of that its dynamic manager Frantisek Cuba, who took over at the age of 27 in 1963, has for example started producing computers, making his collective the largest supplier of microelectronic equipment in the country.

Other activities include producing farm machinery and a bio technology company. Now a mere 12 percent of his turnover is made up of farm goods. This diversification into other fields, once forbidden but now extolled as an example of initiative, was assisted by the fact that the cooperaties always enjoyed a greater freedom from central interference than other sectors.

In examining the good performance of agriculture, it is also clear that the authorities have made adequate supply of food a major policy aim- on the assumption that this is the most important factor for maintaining social stability.

The private sector, cultivating 5 per cent of thearable land, is small but does produce some 45 per cent of the country's vegetables and nearly 70 per cent of the fruit.

Large-scale mechanised farming is not appropriate for these products .But it is also the case that state-determined farm prices encourage grain and meat output and leave more complex labour consuming products at a disadvantage.

The moment is approaching when subsidies to farming will have to be cut. Some time later this year officialdom is expected to take the painful decision to raise food prices some of which, like bread, have remained the same for 30 years.

Christopher Bobinski

MERCHANT BANKING

Andrew Baxter on a giant behind the Canadian scene

Hees spreads a labyrinthine web

MERCHANT BANKERS worldwide are noted as much for their reticence as for their impeccable connections, but the eight partners at Hees International are beginning to realise that self-effacement can be taken to excess.

They should know. Canada's largest merchant bank, and about 12th biggest in the world in terms of capital, is hardly a household name to Canadians, let alone the world's financial community. Even the "international" in the name is something of a misnomer, admits Mr Willard L'Heureux, one of the bank's partners.

The employees - all 20 of them including the partners - might even be forgiven for wondering if they really are working for an institution with shareholders' equity of C$1.3bn (US$1bn) and a dominant position in many key areas of management and financial services in Canada. But, as Mr L'Heureux says, Hees is not "a big merchant bank with glorified halls and liquid lunches." The company notes rather sternly that "corporate aircraft and other such perquisites are considered inappropriate and an improper use of shareholders' funds."

However, it would require some effort to find a Canadian who had not heard of the Bronfman family, or had not used or consumed products of such companies as John Labatt, the brewery, or Royal Trust, the financial services group. All these, in fact, are connected with Hees by a labyrinthine, typically Canadian, web of shareholdings.

Hees was incorporated in 1970, but began to take its present shape only from 1980 when Edward and Peter Bronfman - cousins of the Seagram Bronfmans, and major shareholders in Hees with 42 per cent - gave it a mandate, and the financial resources, to develop into a world-scale merchant bank.

The brothers, whose main investment vehicle is Edper Enterprises, had already invested heavily in property and natural resources, using money redeployed from the family holdings in Seagram.

Most of these interests are now either held by Hees or shared with Edper through ownership of private holding companies which in turn own greater or lesser stakes in such publicly quoted Canadian groups as Trizec, Brascan and North Canadian Oils. Brascan in particular owns sizeable stakes in companies with interests ranging from beer, food and forest products to insurance, trust services and vehicle leasing.

The result is that Hees, while working quietly to develop its merchant banking business, is also an integral part of a large, diversified Canadian business empire, giving it a hybrid quality that, says Mr L'Heureux, is not easy to explain to retail investors.

Until recently, Hees has been something of an unknown quantity, even though 48 per cent of the company is publicly-owned - the other 10 per cent is held by the managing partners.

But now the company has been coming out of its shell, as Canada's long-awaited financial deregulation has inevitably focussed international attention on the country's merchant banks, chartered banks and investment dealers. At the same time similar developments abroad are encouraging Hees to look further afield for business and alternative sources of funds for continued expansion.

The company may, for example, be tempted into the Euromarkets in the next 12 months, says Mr L'Heureux, as it continues to match its liabilities with its floating-rate assets such as loans to wealthy clients. Yet while many of its corporate investments are well-known Euromarket borrowers, "no-one has ever heard of us."

Which explains why Hees is becoming more willing to tell potential investors how it has boosted assets from C$260m in 1982 to around C$2.5bn today, lifting net profits from just C$18m in 1982 to C$117m last year.

A crucial factor in this rapid growth has been the development of a fruitful relationship between Hees' more conspicuous corporate investments and its merchant banking side, which is akin to a private bank - advising managements, arranging financing, participating in "work-outs" for troubled companies and involving itself in "structured partnerships" with 50 or 60 wealthy corporate and individual clients.

On the one hand Hees can act as financial adviser to the companies in which it has taken stakes, but in any case participates at board level in the companies' main business initiatives.

At the same time, says Mr L'Heureux, the corporate investments can act more directly as "a brains trust," giving Hees advice on an informal basis. This means it has no need to employ analysts.

The result is that Hees' corporate investments - whose market value of C$1.7bn exceeds book value by some C$750m - are important to the company, not only for contributing 30 per cent share of total profits, but also for giving Hees a flexibility denied to most merchant banks.

Another important factor in Hees' growth has been the financial backing from the Bronfmans, helped by an extensive programme for raising common and preferred shares. This enables the company to participate in deals on its own account in a way that has been denied to the historically undercapitalised Canadian investment dealers.

In 1985, Hees' $1bn of capital compared with C$700m for the entire Canadian investment dealing community, giving the bank the resources to be a leading sub-underwriter of new issues for three or four years running. Mr L'Heureux admits that this is changing as investment dealers begin to form alliances with Canadian and US commercial banks. "Investment dealers are going to get more aggressive," he says, but adds that they "are not used to dealing as principal."

Fortunately for Hees, sub-underwriting is less significant than other parts of its business where the ability to activate large amounts of capital quickly is important. Last year, for example, the bank lent $200m to clients to spend in the preference share market, whose tax status had been uncertain. Hees took a slice of the profits when the shares were subsequently sold into a rising market.


Willard L'Heureux

In another deal last year Hees teamed up with Great Lakes Group, Canada's second largest merchant bank, to finance the C$200m purchase, by Merrill Lynch Canada and Gordon Capital, of a 41 per cent block of British Columbia Forest Products shares. The block was later sold to Fletcher Challenge of New Zealand for a C$130m profit, of which Hees' share was a C$40m unrealised turn.

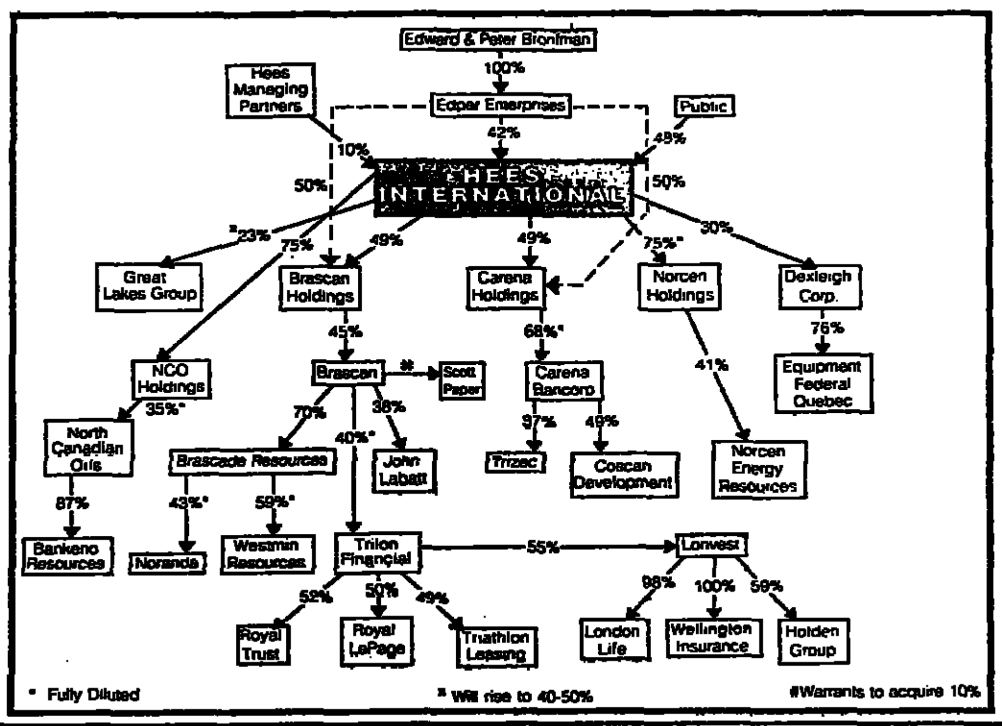
Hees is happy with a handful of deals of this size each year, and also to trade potential profit in return for limiting its risk. Similar principles apply to its purchases at a discount of problem loans from Canadian banks.

This approach to profit-sharing is not solely for financial reasons. In a small business community Hees, with its financial muscle and powerful Toronto connections, has to tread carefully to encourage new business.

Nevertheless, there are limits on Hees' domestic expansion, even in a recently deregulated environment. There is enough provincialism in Canada, says Mr L'Heureux, that if Hees were to set up in Vancouver, "no one would come to see us." He indicated, however, that some form of Hees West could emerge from the bank's rescue this year of Versatile, a troubled West Coast shipbuilder. International business at present comes mainly from the US, which provides 25 per cent of Hees' clients, and Hees plans to be in the international merchant banking arena "in a kind of reactive way," according to Mr L'Heureux.

Any substantial acquisition, in any case, would be a problem for Hees - not only because of the high prices commanded but because of the challenge of combining a typically people-intensive business with Hees' own sparse structure.

The result could be a loss of speed in decision-making, not to mention an informal approach where the Bronfmans share sandwich lunches with the partners - and never write memos.



David Barchard on a Turkish aluminium foil group's export success

Nasas wraps up foreign sales

WHEN WEST German shoppers put a roll of aluminium foil in their trolley in the supermarket, there is a good chance it is Turkish foil they are picking up.

For the last two years Nasas, a company relatively little-known outside Turkey, has been making inroads into foreign markets. One of its proudest boasts is that it now commands nearly a third of the German aluminium foil market.

The aluminium industry, with its high input costs and relatively crowded market, may not look a particularly promising field for a newly emerging industrialised country like Turkey. For Nasas, however, the choice has been to export or fall by the wayside.

In any Western country, Nasas's plant at Gebze, about 50 miles from Istanbul, would probably have been designed as three separate factories, producing sheet and foil separately.

The planners of the early 1970s did not worry about such niceties. Nor did they think far ahead about market conditions, assuming a lively and steadily growing domestic market.

By 1983, the plant's annual capacity had been doubled to 20,000 tonnes of sheet foil, 8,000 tonnes of foil, and 6,000 tonnes of converted foil. Unfortunately, the domestic market had by that time largely gone.

Turkey was in a recession because of the Ozal Government's austerity package. Electricity prices were soaring. Nasas, a private company, had been intended to work in tandem with the state-owned and Russian-built Seydisehir aluminium smelting plant.

However, a socialist government in the late 1970s had decided to allow the state company to go into sheet and foil production.

As a result, Nasas was left with 20,000 tonnes of sheet foil capacity a year but a market of only 7,000 tonnes. The balance of 13,000 tonnes had to be exported to survive.

It was at this point that Mr Fethi Agalar, then aged 33, became the company's president. Nasas is one of Turkey's few large private corporations not in the hands of a family group.

Mr Agalar's immediate background was in the textiles industry but he had cut his teeth in business with Arthur Andersen in Istanbul and, unlike some older Turkish industrialists, he is a firm believer in modern management and marketing techniques.

By the beginning of this year, Mr Agalar seemed to have achieved his hopes of turning Nasas into an internationally competitive aluminium venture. The thin foil recovery rate - an index of efficiency in foil aluminium production - was only a few per cent below the European and American level of 65 per cent.

Improvements in productivity have been achieved despite high electricity charges. Nasas pays about 8 cents per kWh, more than double that of its principal competitors.

A consultant was brought in from Reynolds, the US aluminium producer. After work to streamline the production process, Nasas's Gebze plant now looks startingly different from the early 1980s.

Aggressive marketing, both in purchasing raw aluminium at the lowest possible price from whatever sources happen to be available, and the setting up of an international team to sell Nasas's products in Western countries have helped trim costs and boost exports.

This year for the first time Nasas had its own stall at the Dusseldorf International Packaging Fair.

All this has been accompanied by a drive to show Turks, who still use relatively little aluminium by European standards, its advantages.

Earlier this year, Mr Agalar concluded a deal with Tetra-Pak of Sweden to set up a packaging plant in Izmir. He would like to see other joint ventures with foreign aluminium companies, with an eye to using the metal for roofing, canning, piping, and sandwich panels.

Another challenge is to ease the burden of long-term debt weighing on the company.

Like most Turkish companies which imported foreign technology in the late 1970s, Nasas was badly hit by the depreciation of the Turkish lira.

Mr Agalar has avoided new long-term debt, relying for finance mostly on short-term export credits, until the debt burden of the 1970s is paid off - a process which should be completed by 1989.

The strategy has made Nasas into one of Turkey's most robust industrial corporations, linked to international markets and with a trading performance which can be scrutinised more closely than many others.

Net sales in 1986 rose by 60 per cent from 1985 to reach TL51bn (about $80m). Net income rose from TL688m to TL1,115m. This year the figures are likely to be substantially better, partly because a strike put the group's public sector rival out of action for much of the summer.

Confident Solel Boneh set to break even

BY JUDITH MALTZ IN TEL AVIV

THE REFUSAL of the US Congress last week to approve the budget for a $300m Voice of America relay station to be constructed in the Negev desert might have spelled instant disaster for Solel Boneh, Israel's biggest civil engineering contractor, had it come a year ago.

Today the company - once ranked among the top half dozen contractors in the world - is back on its feet after having achieved the main objectives of a wide-ranging recovery programme in the last 12 months.

The possibility of losing its $50m share of work in a project on which it had once counted is no longer seen as a matter of life or death.

Mr Ehud Shilo, managing director of Solel Boneh, shrugs off the latest setback and says he is confident the company will break even by the end of the year. "The system is functioning efficiently now, he says."

The key elements of recovery programme, imposed on the debt-ridden building concern last year by the Government, were the dismissal of a third of the 10,000 workforce; the injection of $80m in fresh capital by its parent company, Hevrat Ha'ovdim, the industrial arm of Histadrut, the trade union federation; the rescheduling of another $80m in debts; and the sale of $110m worth of fixed assets.

Solel Boneh's troubles can be traced back to the sharp reduction in domestic construction activity several years ago. Aggravating its plight was the fact that as a union-owned enterprise, the company was forced to maintain employment, and thus take on unprofitable work.

In what is considered an unusually successful recovery programme by Israeli standards, especially for a Histadrut enterprise, Solel Boneh has exceeded its original goals.

Income from work in Israel from January to August this year, according to Mr Shilo, was up 20 per cent over the same period last year, and the total figure for the year was expected to reach $300m.

In another break with traditional Histadrut policy, he said Solel Boneh was considering selling shares in two of its subsidiaries to foreign investors.

Explaining why Solel Boneh has succeeded where others, particularly Israel's troubled high technology companies, have failed, Mr Shilo says: "Our main problem was always political, namely the dismisal of workers. There was never an issue of lagging behind in technology or losing our markets."

Plessey

Still more hurdles ahead

Terry Dodsworth and David Thomas assess the outlook for the UK electronics group following its telecommunications deal with GEC

IN THE WAKE of the telecommunications merger of Plessey and the General Electric Company, the question of Plessey's future lands unequivocally on the plate of one man - Sir John Clark, the UK electronics group's enigmatic and extraordinarily long-serving chairman and chief executive.

Last year, when Plessey was fighting off the bid from GEC, Sir John, 61, who has had 25 years at the top, retreated into the background. The new managing director, Sir James Blyth, came increasingly to the fore to explain the group's strategy. Articulate, approachable and persuasive, Sir James made a strong impact in the City, which has for years been suspicious of Sir John and his apparent reluctance to part with power. But Sir James's ascendancy was not to last for long: he left the day after the deal, apparently concerned that he could not run the company without interference from above.

This little sub-theme to the merger deal has caused an unmistakable flutter of anxiety in the City.

Many analysts believe that Sir John - whose family has only a small shareholding in Plessey - is too unpredictable to be entrusted with the power that he has. There is a widely held view in the City that the group's impressive profits record in the early 1980s was due mainly to Peter Marshall, its recently departed finance director - an astute executive who is said to have been able to "manage" Sir John. Even Sir John's admirers - and there are many of them - say that he is a man who thrives on conflict. He is, they add, a master of internal corporate politics.

Yet at the same time, executives who have worked for Sir John say that he is a man with a compelling "vision" of the future of his industry. They give him full credit for steering the company from its original rambling base in electrical components to its present structure as an integrated electronics group. They say that he took great personal risks to support Plessey's research scientists against boardroom opposition.

This is a view that Sir John himself takes of his role in the company, and he believes the performance of semiconductors has vindicated his strategy.

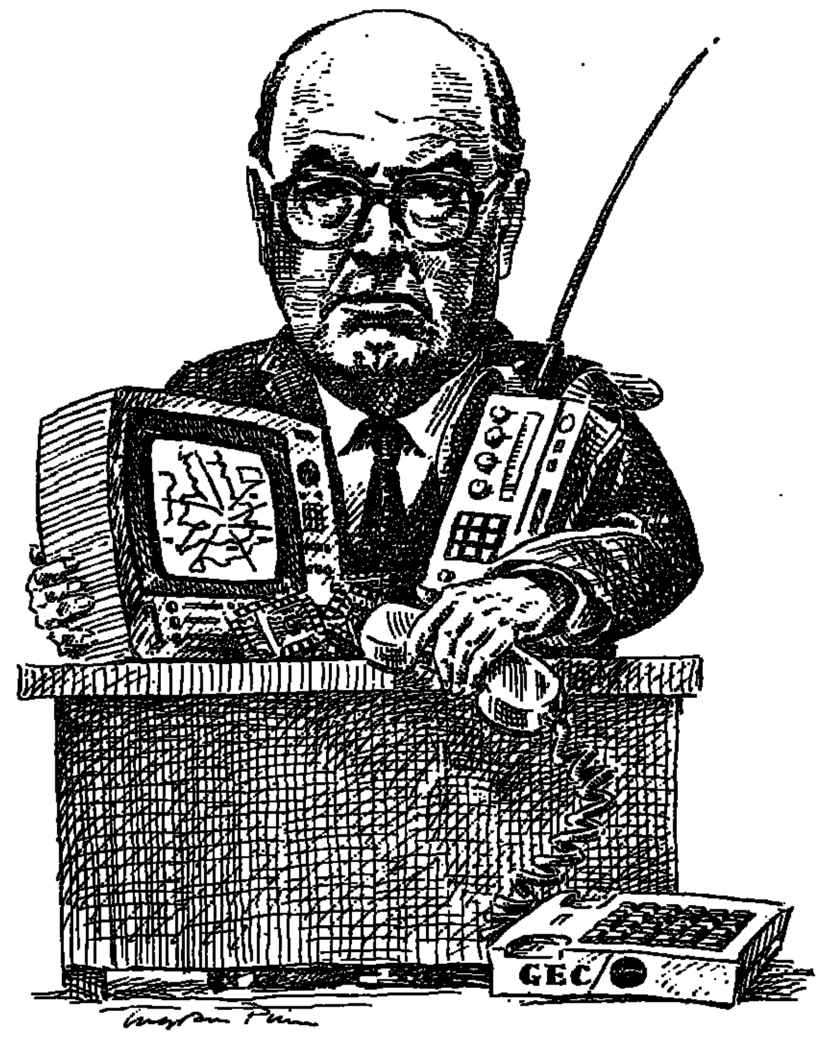
Nevertheless, the telecommunications deal underscores the difficulties Sir John faces in taking the next step in this process of building an integrated group. The concept is simple enough: a strong research base is designed to feed through into a front rank components division - essentially semiconductors in today's environment - which in turn underpins "systems" companies such as the telecommunications group.

The big question that has hovered over this approach for the last few years is whether Plessey is big enough to make it work. Telecommunications has become increasingly open to competition - particularly in Britain - and the UK defence budget is under attack.

The deal with GEC goes some way to responding to this problem in the telecommunications division. It will give the group more resources and the potential to tackle international markets more effectively. But what about defence? And can the company continue to support its research activities and microelectronics interests without adding substantial new revenues from overseas?

Sir John agrees that to tackle these problems, the group will now have to become more international; and he echoes the widely-held view that Plessey may need to make acquisitions. "The UK accounts for only 5 per cent of the world market," he says. "If you want to be a major player in your chosen businesses you have to develop internationally either by indigenous growth, or by acquisition, or by a combination of both."

It now falls to Sir John more than anyone else to make these objectives work.



Why defence has become the centre of gravity

WITH PLESSEY'S telecommunications business about to be locked into a joint venture with GEC, the company's centre of gravity has shifted decisively towards its defence interests.

Plessey's defence sales are concentrated in its electronic systems division, which accounted for 35 per cent of the group's £1.43bn turnover and 27 per cent of £166.2m operating profits last year. The company is particularly strong in radar, sonar devices for the navy and military communications.

Alan Jones, who heads Plessey's defence business, is relaxed about the future, pointing to an order book which is significantly up on last year and underpinned by a number of large projects.

These include the Ptarmigan communications system supplied to the British army, sonar work for the Trident submarine fleet, the £160m Raven military communications contract won this year in Australia and the offset work which Plessey will gain from Westinghouse as part of the contract for Britain's airborne early warning defence system.

Others are not so confident, arguing that Plessey is too dependent on sales to the UK Ministry of Defence (one estimate suggests that only a fifth of Plessey's defence sales are made abroad), at a time when pressure is mounting on the UK defence budget and on the Government's contribution to spending on military research and development.

Jones responds that defence electronics, in which Plessey is a UK leader along with the General Electric Company and Ferranti, will continue to grow as a share of defence procurement and adds that his margins have not suffered as a result of the new regime of competitive tendering introduced by the MoD. He does, however, admit to having to cope with the uneven flow of orders from the MoD, particularly over Trident, which he describes as "a very lumpy business."

He is also worried by pressure on Government funding of military R&D, because he believes that Plessey's trademark is its commitment to technological innovation, which Plessey believes gives it an edge in some state-of-the-art projects, such as the next generation phased array radar, known as Mesar. Jones says he could not boost substantially the more than £35m a year Plessey is spending on defence R&D.

He sees collaborative ventures as a way of helping Plessey spread its development costs and says that Plessey is talking about joint programmes with Siemens of West Germany and Thomson of France. "The business will grow through a number of European collaborative programmes," Jones asserts confidently.

In the short term, however, more of Plessey's focus appears to be on the US market, where it hopes to win substantial business as a result of its tie-up with Westinghouse. The company is known to be keen on acquiring a defence business in North America in order to boost its presence there.

"Acquisitions are about the only way to allow us the quantum leap to become a perceived major player there," comments Stephen Walls, Plessey's new finance director, who came to the company from a background in the tough world of US corporate acquisitions.

But the difficulties in clinching a US purchase are vividly illustrated by Plessey's failure to press home its interest in Harris, the Florida-based electronics group, earlier this year once the Pentagon objected that too much of Harris's work was on highly sensitive contracts.

An acquisition might also help Plessey build up its presence in avionics, a high growth defence area in which the company has only a small presence. More immediately, however, Jones believes he can answer doubts sometimes raised about Plessey's existing spread of defence business.

These doubts, particularly acute in some analysts' minds, are about its military communications business, which is particularly vulnerable to short-term cuts in military spending.

There is still no sign of a third phase of Ptarmigan, which had been expected this year. Communications systems have been one of the first parts of the military budget to be slashed by developing countries when finance has dried up: this is especially true of Middle East countries hit by falling oil prices. Some analysts believe that the Australian government squeezed such a good deal out of Plessey over Raven that the company will be hard-pressed to make much money out of it.

Jones dismisses these fears. He argues that there is plenty of business to be done out of enhancements to Ptarmigan. He adds that while the bottom may have fallen out of the low end of the military communications market in the Third World, there are still plenty of countries wanting sophisticated, frequency-hopping systems; clinching the deal over Raven, which is such a system, should help Plessey win other contracts abroad.

The feeling remains, however, that while Plessey has some gems among its existing defence products, taken together they are not a broad enough portfolio in the longer term to become the new centrepiece of the Plessey company. The fact that Plessey is clearly set on building up its overseas presence, partly through acquisitions, suggests that key Plessey insiders agree.

DT

Displaying a firm resolve in semiconductors

FOR SIR JOHN CLARK, the decision to move into chip manufacturing was crucial in turning the company into a specialised, integrated electronics group.

But why be in this sector at all? Semiconductor businesses have prodigious appetites for cash. They are subject to great swings in demand, making planning for growth extremely difficult. In the low period of the boom and bust cycle they can put heavy strains on the resources of their parent companies; and Plessey's semiconductor operations account for only about 5 per cent of group sales - a total of £75m this year.

The challenge of making money out of such a tricky market has frightened off most British companies. Plessey, however, has stuck stubbornly to the task, committed to semiconductors both as key components for an integrated electronics group and as profitable products in their own right. As explained by Doug Dunn, the forceful 42-year-old who runs the semiconductor division, the strategy today is to shape the chip manufacturing business around products initially aimed at Plessey's own telecommunications and defence activities.

Internal company sales to other divisions within Plessey account for about 17 per cent of the division's revenues - a healthy base on which to build a general distribution business in the fashion of the big Japanese electronics groups.

Under Dunn, an aggressive expansion plan has been set in motion, building up overseas turnover to about 45 per cent of the total. The company has been growing at between 20 and 30 per cent a year, roughly twice the rate of the industry as a whole, and investment pumped into new plant; more than £30m has already been spent on the recently-opened new facility at Roborough, near Plymouth, and this sum will eventually rise to about £50m.

Dunn is planning to continue with this pell mell expansion. He talks of heading a company turning over from £300m to £350m by 1990, a plan that will require investment in the range of £100m, and probably more, between now and then.

Having increased overseas revenue to about 45 per cent of the total, he wants to continue to expand internationally through alliances, acquisitions or second sourcing arrangements. He has an aggressive new products programme in hand, based on the two main types of semiconductor manufacturing, bi-polar products (which process instructions very rapidly) and CMOS (which can be more easily miniaturised and use less energy).

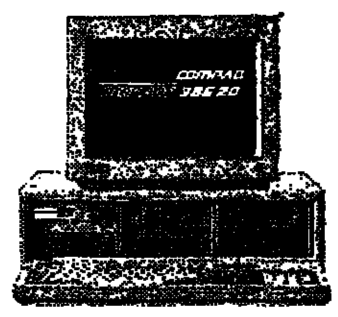
Plessey has made this strategy work over the last few years by concentrating on the market for specialised semiconductors made through semi-custom processes.

This is the fastest growing part of the semiconductor market and some estimates suggest that it will account for about 50 per cent of the total world chip business by 1995. Nevertheless, the telecommunications deal with GEC puts a series of new question marks over the division:

- Will the semiconductor activity have adequate access to funds at a time when it has to move quickly to respond to new competition in the semi-custom market? The business makes operating profits at a rate of about 5 per cent on sales; but it is expected to draw on central Plessey funds over the next few years in a period when there is likely to be other demands on the group's cash for takeovers and reorganisation.
- Will it be possible to maintain the same linkage between the semiconductor and user operations that have existed in the past? In the new structure, the telecommunications activities will now be run on a more arms length basis.
- Conversely, will semiconductors be helped by the new relationship with GEC? The revamped telecommunications group will contain GEC businesses which could be potential new clients for Plessey.

These questions ultimately come down to the issue of Plessey's ability to maintain the approach to integration that it has had in the past. Experience around the world has shown that semiconductor companies normally flourish best when they are close to their users. Plessey could potentially use the merger to its advantage in this regard; but the deal could also leave the division more exposed to external competition than in the past.

TD



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THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
9	10	11	12	13	14	15

Exhibitions

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more ostentatious age, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give room enough, and with the three reserve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

Bibliotheque Nationale: Fine Prints in France from the 16th to the 19th Century. More than 200 impressions of exceptional quality from the print department of the Bibliothèque Nationale show the infinite possibilities of artistic expression through varied techniques of printmaking. The panorama ranges from early engravings showing strong Flemish, German and Italian influence to the majestic Grand Siècle style under Louis XIV, from Boucher's pastel-hued *sujects galants* to the modernity of Toulouse-Lautrec and the striking colours of Bonnard. Bibliothèque Nationale, Galerie Mansart, 58 rue Richelieu. Ends Nov 2.

Fragonard: The Grand Palais is staging the first retrospective of Fragonard in collaboration with the Metropolitan Museum, New York. About 100 paintings and as many drawings celebrate the artist's love of beauty, in which he saw a manifestation of "nature's perfect health". The depth of observation in his Roman landscapes, mythological scenes and portraits counterbalances the decorative facility of the Scenes Galantes so typical of the 18th century. Grand Palais. Ends Jan 4.

Arteurial presents a panorama of 12 years of its activities in favour of contemporary art as a gallery, a library and as an editor of "multiple originals" of statues and jewels, contemporary furniture, Sonia Delaunay's personal dinner plates and a 1930 carpet. The gallery's exhibitions have tried to present the image of the 20th century. Sonia Delaunay was followed by Giorgio de Chirico, Zadkine's retrospective by Man Ray photographs. There was sculpture by Chadwick and the art of the poster by Matisse. All culminated in a homage to the late President Pompidou – like Artcurial a lover of the avant-garde. Artcurial, 9 Ave Matignon (4299 1616). Ends Nov 14.

Corbusier: The Centre Georges Pompidou celebrates the centenary of the birth of Le Corbusier with an exhibition on its fifth floor which gives a global view of the man and his work; more than 60 models of buildings – 15 of them originals – together with drawings and photographs of his main projects, illustrate his controversial architectural concepts. There is also a reconstruction of a apartment from l'Unite d'Habitation de Marseille, an apartment built and furnished by the artist whose revolutionary motto was "L'utile n'est pas le beau". Closed Tues, ends Jan 3.

Francis Bacon: for his return to Paris, Francis Bacon is showing four triptychs among the 11 canvasses painted between 1984 and 1987. There is a self-portrait, a bullfight and a soberly dressed President Wilson next to Trotsky's study – full of blood, needless to say. The artist who finds abstraction utterly boring continues to torture and distort the human figure. Galerie Lelong, 13 Rue de Teheran (4563 1319). Closed lunchtimes and mornings Saturday and Sunday. Ends Nov 22.

WEST GERMANY

Bonn, Rheinisches Landesmuseum, Colmantastraße 14-16: Sculpture from the German Democratic Republic (East Germany). A result of the cultural agreement of May 1986 between East and West Germany, this exhibition includes 130 sculptures, some of them larger than life, and about 80 paintings of sculptures by 51 artists, and covers four decades. It offers a view of graphic works that have not even been seen in East Germany before. Among the artists are Gustav Seitz, Fritz Cremer, Werner Stotzer, Hermann Glockner, Waldeman and Sabine Grzimek, Ingeborg Hunzinger and Franziska Lobeck. The show will be in Bonn until October 18 and then to Munich (Staatsgalerie moderner Kunst, Nov 5–Jan 3) and Mannheim (Stadtische Kunsthalle, Jan 23–Feb 21).

Hildesheim, Roemer- und Pelizaeus-Museum, Am Steine 1-2. Egypt's rise to a World Power: More than 300 pieces loaned by 20 museums in Europe, Africa and America – the first presentation of the most important 150 years 1550-1400 BC of the New Empire in Egypt. The bust of Pharaoh Thutmosis III, discovered in 1907 without a face, can be seen complete in Hildesheim. The face, found in Egypt only 20 years ago, was loaned by a Cairo Museum. Another highlight is a reconstruction of the 3000 year old burial chamber of Sennefer, the former mayor of antique Thebes. Clothes, household appliances, tools, cosmetics and jewellery illustrate the everyday life of Egyptian citizens. Ends Nov 29.

ITALY

Rome: Two exhibitions which opened to coincide with the World Athletics Championships in Rome. The first, (until November 15), Athla and Athletics in Classical Greece at the Palazzo dei Conservatori at the Campidoglio recounts the religious origins of this sport in Greece and includes a handful of fine statues (including the extraordinarily modern discobolus of Castel Porziano) and vases, while the second, at the Museo della Civilta Romana (Piazza G Agnelli 10, Eur-Rome), entitled Sport in Antiquity recounts how the games gradually became an amusement for the masses and a means of self-advertisement for emperors. The museum in which it is housed is little-publicised and full of fascinating objects (Roman surgeons' and obstretricians' tools, weights and meansures and scale models of bridges, viaducts etc.). Ends October 25.

Venice: Ala Napoleonica and Museo Correr: 'Matisse and Italy': over 250 works by one of most poetic of 20th century French Painters. The exhibition includes paintings, drawings, and Matisse's entire output of sculpture (75 pieces in all), lent by private and public collections in France and America, and the Musée Matisse in Nice. Pierre Schneider, the organizer, has attempted to show how the works of Italian painters such as Mantegna, Pollaiolo, Giorgione and Veronese may have influenced Matisse. Until October 18.

Venice: Palazzo Grassi: Jean Tinguely: 1954–1987: The jokey mechanical sculpture of Swiss artist Jean Tinguely. A gentler, but still mischievous, version of Salvador Dali, Tinguely describes some of his incredible moving sculptures (all built from refuse iron and steel) as "machines a sentiments," and the complexity and sheer improbability of his works communicate a touching "joie de vivre." Over 300 works are on show, lent by American and European museums, with photographs of his first Self-Destructing Sculpture. Homage to New York, which duly self-destructed in the gardens of the Museum of Modern Art in New York in 1960. Ends Oct 18.

Cremona: Masterpieces by Antonio Stradivari: In honour of the greatest violin-maker ever, who died 250 years ago aged 93. About 50 instruments are on show including one of the ten surviving inlaid instruments – a violin outlined front and back with a delicate frieze of ivory squares and diamonds and a harp, a violin and a wooden violin case covered with leather and studded with nails forming an elaborate pattern on the lid. The exhibition has been organised by Charles Beare in collaboration with the Italian architect Gae Aulenti to coincide with the Cremona Music Festival at which Stradivari instruments will be played. Ends Oct 7.

SPAIN

Barcelona: "Leonardo da Vinci. Nature Studies" 50 drawings on loan by the Royal Library at Windsor Castle, shown recently at the Metropolitan Museum, Stockholm and Tokyo. Centro Cultural La Caixa, Paseo de San Juan 108. Ends Nov 8.

Madrid: "Beuys, Klein and Rothko. Transformation and Prophecy". Centro Cultural de la Caixa, Serrano 60. Ends Nov 8.

Madrid: "Ouka Lele 1977-1987". A retrospective of Madrid's "movida," photographer with her colouring effects, shows her latest controversial piece "cibeles" requested by Madrid's town hall, halting the capital city's main square and causing a tremendous traffic jam last summer. Museo Espanol de Arte Contemporaneo, Avda Juan de Herrera. Ends Nov 3.

Madrid: "Mark Rothko 1903-1970". 54 works by North American artist of Russian origin grouped with de Kooning and Pollack. This show was seen recently at the Tate in London. Fundacion Juan March, Castello 77. Ends Jan 3.

Madrid: "Mies van der Rohe". 150 drawings by the architect to commemorate his birth was prepared by the Art Institute of Chicago and shown in Frankfurt and Paris last. Sala Mopu, Nuevos Ministerios. Ends Nov 1.

NEW YORK

Metropolitan Museum: 200 objects from the Age of Sultan Suleyman the Magnificient demonstrate the wealth and skills at the high point of the Ottoman empire in the sixteenth century through the large selection of illuminated manuscripts, the imperial wardrobe, ceramics and jewel-encrusted weapons. Ends Jan 17.

Center for African Art: Angles on African Art features ten co-curators, ranging from an African tribesman to collector David Rockefeller, each of whom chose ten of their favourite pieces, making a well-rounded and diverse show. Other curators are writer James Baldwin, artists Nancy Graves and Romare Bearden and curator William Rubin. Ends Jan 3.

IBM Gallery: Post Modern Architectural Visions includes an international array of designers including Michael Graves, Hans Hollein, and Adolfo Natalini with 200 drawings and models of work from 1960 to 1985, originally organised by Williams College and Deutsches Architekturmuseum in Frankfurt. Ends Nov 7. 56th & Madison (407 6100).

CHICAGO

Art Institute: Walker Evans photographs of the 1930s showing poverty and despair in the American South were famous in their time in Life Magazine and preserved in James Agee's moving book, Let Us Now Praise Famous Men. This exhibit is a reminder at a time of renewed despair in the American heartland of the scope and depth of Evans' work originally done for the Farm Security Administration. Ends Nov 8.

WASHINGTON

National Gallery: A Century of Modern Sculpture, the Patsy and Raymond Nasher Collection, contains major works by Rodin, Picasso, Matisse, Gabo, Giacometti, Ernst, Moore and Serra. Ends Jan 3.

Hirschhorn Museum: One of the Chicago contemporary primitivists whose repeated scenes make evocative images has his first major east coast retrospective with 49 paintings and four painted constructions. Ends Oct. 18.

TOKYO

European Nature in 18th Century Japanese Art. This exhibition is of Japanese art inspired by Dutch manuals imported into Japan in the early 18th century after the Japanese Government lifted its 200-year-old ban on foreign materials. The 160 paintings and sketches of European flora, fauna and people throw some more light on the Japanese phenomenon – information-hungry and seeking to catch up with the West from the first slight opening of the door to the outside world in 1720. Suntory Museum of Art, Akasakamitsuke. Ends October 25. Closed Mondays.

Rosanjin Kitaoji Ceramics: With Shoji Hamada this potter is recognised as one of Japan's important potters working in the folk tradition – benefitting from the influence of England's Bernard Leach. There are 150 interesting works and the design of this modern new museum and its parksetting are noteworthy. Setagaya Art Museum. Ends October 18. Closed Mondays.

Theatre

LONDON

Antony and Cleopatra (Olivier): Peter Hall's best production for the National Theatre he leaves in 1988 brings this great but notoriously difficult play to thrilling life, with Judi Dench and Anthony Hopkins as battle scarred lovers on the brink of old age. Dench is angry, witty and ultimately moving. Best of the rest at the NT is Michael Gambon giving his finest ever performance as Arthur Miller's doomed longshoreman in A View from the Bridge; Juliet Stevenson in a fine revival of Lorca's Yerma; and David Hare's production of King Lear. Hopkins, a massive gnarled oak, which gathers force and more friends as it continues in the repertoire (928 2252).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

The Balcony (Barbican): Sadly dated and heavy-handed opening to the RSC's Genet retrospective, not helping to fight suspicions that the RSC, certainly in London, is stretched way beyond its creative capacities. Terry Hands directs. Farrah's set looks like a cheap pink brothel and the actors, a dull lot, clump around on high boots in big bulging costumes. (628 8795).

Follies (Shaftesbury): Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque re-union in a doomed theatre. Four new songs, improved book by James Goldman. Cast led by Dolores Gray, Julia McKenzie, Diana Rigg, Daniel Massey. All good. (379 5399).

Melon (Haymarket): Alan Bates predictably good in new Simon Gray, clumsily directed by Christopher Morahan, about a jealous publisher viewed in flashback from a psychiatric ward after a breakdown. Menopausal mutterings, not vintage Gray. (930 9832).

Serious Money (Wyndham's): Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. Hot and livid, but new cast deemed less good. (836 3028, CC 379 6565).

A Small Family Business (Olivier): Brilliant new Alan Ayckbourn play about Britain on the fiddle in greedy times, selling out to foreigners and keeping it simultaneously in the family. A comedy thriller on the large scale, Ayckbourn's own production is led majestically by Michael Gambon. Best of the NT rest remains King Lear and Antony and Cleopatra in the Olivier, A View From the Bridge in the Cottesloe. The new Brian Friel adaptation of Turgenev's Fathers and Sons is decent but dull in the Lyttelton. (928 2252).

Three Men on a Horse (Vaudeville): George Abbott's sprightly gambling comedy has transferred from the National. Geoffrey Hutchings in the lead now joined by Toyah Wilcox (836 9987).

NEW YORK

Fences (46th Street): August Wilson hit a home-run, this year's Pulitzer Prize, with James Earle Jones taking the powerful lead role of an old baseball player raising a family in an industrial city in the 1950s, trying to improve lot but dogged by his own failings. (221–1211).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Les Miserables (Broadway): Led by

Continued on Page 25

Music

LONDON

Giuseppe di Stefano sings Neopolitan songs and operatic arias to commemmorate the 10th anniversary of Maria Callas' death. Elizabeth Hall (Mon). (928 3191).

Leningrad Philharmonic Orchestra, conductor Mariss Yansons, Sergei Stadler violin: Prokofiev, Mendelssohn, Tchaikovsky. Royal Festival Hall (Tue). (928 3191)

English Chamber Orchestra, conductor Hans Vonk, Thomas Allen, baritone: Haydn, Mozart, Stravinsky. Elizabeth Hall (Tue).

London Symphony Orchestra, conductor Maxim Shostakovich, Mstislav Rostropovich, cello: Bernstein, Britten, Dvořák. Royal Festival Hall (Thur).

Borodin String Quartet: Borodin, Shostakovich, Tchaikovsky. Elizabeth Hall (Thur).

City of Birmingham Symphony Orchestra, conductor Simon Rattle, Maria Ewing, soprano: Mozart, Strauss, Stravinsky. Barbican Hall (Thur). (638 8891).

NETHERLANDS

Amsterdam, Concertgebouw: Leonard Bernstein conducts the Concertgebouw Orchestra with Lucia Popp, soprano, and Andreas Schmidt, baritone: Schubert, Mahler (Wed, Thur). Recital Hall: Cherubini Quartet (Mon, Wed). Shostakovich Quartet: Borodin, Schumann, Shostakovich (Thur). (71 83 45).

Utrecht, Vredenburg: The Hague Philharmonic conducted by Alain Lombard, with Marc Laforet, piano: Debussy, Ravel, Tchaikovsky (Tue). The Hague Conservatory String Orchestra under Lev Markiz: Greig, Britten, Dvořák (Wed). Pierne's Croisade des Enfants with the National Philharmonic under Jaap Hillen, massed choirs and soloists (Thur). Recital Hall: Shostakovich Quartet: Shostakovich, Stravinsky, Tchaikovsky (Wed). (31 45 44).

Groningen, Oosterpoort: Noel Lee, piano: Gottschalk, Copland, Gershwin, Debussy (Tue). (13 10 44).

Eindhoven, Schouwburg: The Gelders and Brabant orchestras conducted by Georges Octors, with Jean-Jacques Kantorov: Scriabin, Tchaikovsky, Stravinsky (Thur). (11 11 22).

PARIS

Les Musiciens Amoureux: Gala evening with the Columbus Day Concert: Bartok, Johnson, Ellington, Bernstein (Mon). Théâtre des Champs Elysées (4723 4777).

Ensemble Intercontemporain conducted by Peter Eötvös: Brian Ferneyhough, Goffredo Petrassi, Luciano Berio (Mon). Théâtre du Rond Point (4261 5675).

Orchestre de Paris conducted by Daniel Barenboim: Mozart's chamber music (Tue). Théâtre des Champs Elysées (4723 4777).

La Grande Ecurie et la Chambre du Roy with the Nord-Pas de Calais Choir conducted by Jean-Claude Malgoire: Charpentier's Vepres Solennelles (Wed). Saint-Louis des Invalides Church (4230 1516).

Ensemble Vocal Jean-Pierre Lore, Orchestre Francais d'Oratorio conducted by Jean-Pierre Lore: Mozartissino (Thur). Saint-Roch Church (4261 9326).

NEW YORK

Merkin Hall (Goodman House): Eric Stumacher piano recital. Jon Deak, John Steinmetz, Bartok, Schoenberg, Prokofiev (Mon): Sylvan Woods. Arthur Weisberg conducting. Francaix, Milhaud, Stravinsky, Weill (Tue). 67th w. of Broadway (362 8719).

Kaufmann Hall: Olli Mustonen piano recital. Bach, Schumann, Shostakovich, Mustonen, Prokofiev (Tue). 1395 Lexington Av. (831 8603).

New York Philharmonic (Avery Fisher Hall): Felix Kruglikov conducting, Miriam Fried violin. Brahms, Shostakovich (Wed, Thur). Lincoln Center (874 2424).

WASHINGTON

National Symphony (Concert Hall): Tamas Vasary conducting, Nancy Crutcher Tunnicliffe bagpipes. Mozart, Davies (Thur). Kennedy Center (254 3776).

Central Philharmonic of China (Concert Hall): Li Delun conducting, Jian Wang 'cello. Berlioz, Elgar, Dvořák (Mon). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestra Hall): Margaret Hillis conducting, Gary Bachlund tenor with Chicago Symphony Chorus. All-Levy programme (Thur). (485 8111).

TOKYO

Tokyo Symphony Orchestra conducted by Ilarion Ionescu-Galati, piano Ran Zemach: Enesco, Bartok, Dvořák. Tokyo Bunka Kaikan (Mon). (362 6764).

New Japan Symphony Orchestra, conductor Seichi Mitsuishi with Harumi Hanafusa, piano: Mozart, Bartok, Sadao Bekku. Tokyo Bunka Kaikan (Wed). (985 4836).

NHK Symphony Orchestra, conducted by Miltiades Caridis with Radu Lupu, piano: Skalkottas, Bizet-Schredin, Brahms. NHK Hall (Wed, Thur). (465 1780).

WEST GERMANY

Frankfurt, Alte Oper: The Vienna Symphony orchestra conducted by Gerd Albrecht, with violinist Ulf Hölscher, play Beethoven and Dvořák (Sat).

THE ARTS

Top Storey/Shaw

Michael Coveney

The Trestle Theatre Company is a much-vaunted mime and mask outfit that has done sterling international service over the past six years. You can see why. They are cheap, superficially experimental and not remotely controversial. First acquaintance is a pleasant enough experience, with an essential whimsicality only just redeemed by several macabre narrative twists.

Three actors sport masks that render them sinisterly poised between the worlds of Beatrix Potter and the Cabbage Patch Kids. They tell the attic tale of an old man marooned in a loft with his memories. The programme quotes Stevie Smith. "Aloft, In the loft, Sits Croft; He is soft." The man re-lives sibling rivalry with an elder bullying brother who wins cups and carries on generally like a Boys Own comic hero. After a *domestic tragedy, this brother* has emigrated to Australia but returns to disrupt the quiet man's reverie.

Devised by the company with additional script by Shaun *Prendergast, Top Storey* rummages in the past of the characters while pushing them up against the blank uncomprehending wall of fleshy sentimental masks. Muppetry comes into it, too, with cute little hand-manipulated lambs and cows peeping over a picnic scene. The nostalgic soundtrack of Vivian Ellis and Glenn Miller is predictable backing to sharp kitchen squabbles and war-time romance. The quiet brother's bedroom comic reading prompts unmasked rugger *field and piratical japes.*

The show scores when it relaxes its stylistic intensity and jumbles up the idioms of face, voice, mask and memory. Replay techniques are interestingly exploited towards the end of the uninterrupted 90 minutes, but the content has by then become dangerously attenuated.

The cast — Joff Chafer, Thomasina Carlyle and Toby Wilsher — is skilled at refracting a variety of expression through still surfaces. Good glancing jokes include the *squeezing of a spot on the blind* face, a critical but unrevealing stare in a mirror. But there are no guts or passion here, except when the full fury of the inhabited mask is unleashed to present the jowly Walter Matthau-ish returning cad. You see clearly what became of the nonchalantly vicious boy whose idea of fun was to incarcerate short boys in trunks.

Alastair Muir

Glynis Barber and Geoffrey Davies

. . . And then there were none

Martin Hoyle

Oh, my God, no. Not again. Where . . ?

At the Duke of York's. St Martin's Lane.

And is it—is it—?

Yes, dead. Quite, quite dead.

Any suspects?

John Fraser in a beard, Rodney Bewes in a moustache, Geoffrey Davies in a toupée, and a crowd of actors in a torpor.

How . . . how was it done?

Sometimes by standing them in a semi-circle and sometimes by seating them in a row.

Are there any clues? Anything missing?

Wit, intelligence, plausibility, characterisation, competent lighting and anything resembling a human being.

You can't mean . . ?

Afraid so. This is Mrs Christie's work.

Hang on. Isn't this what used to be called *Ten Little Niggers?* And then *Ten Little Indians?*

Yes, but that was considered offensive to Afro-Caribbeans, Asians, Redskins and persons of diminutive stature.

So now it isn't offensive to anyone?

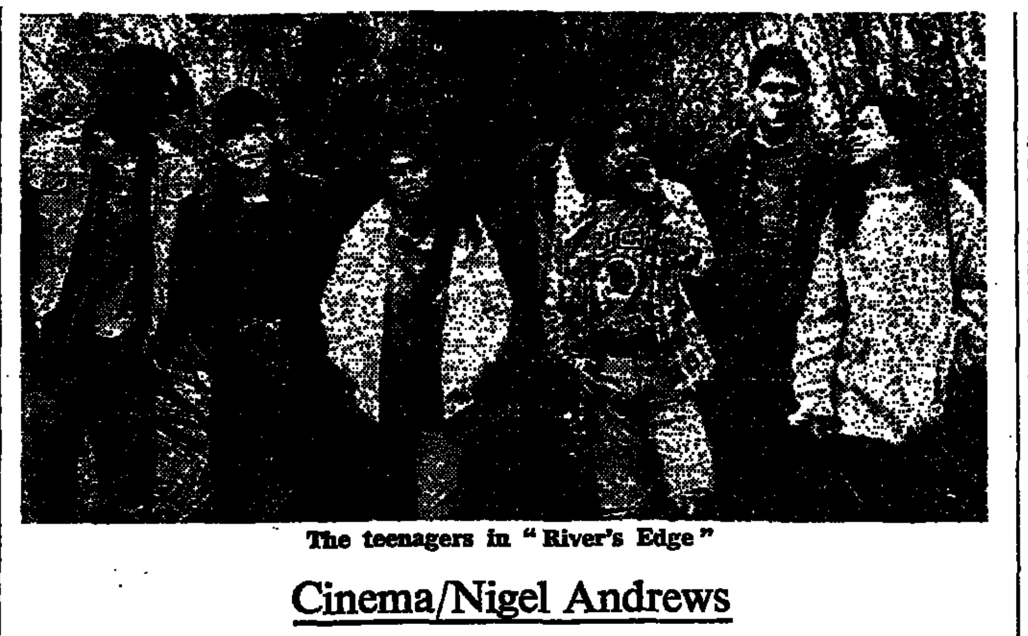
Only those who fear for the health of the commercial theatre. As Mr Davies says, "I've broken most of the commandments in my time but there's one thing I won't stand for, and that's murder."

Was Christie alone or did she have help?

One of the out of town gang. Kenneth Alan Taylor. He has form in Nottingham. That's where they had the Goose Fair last weekend.

Any extenuating circumstances?

Miriam Karlin pleads professionalism. And Glynis Barber almost exonerates herself. When someone says, "You're very silent, Vera," she replies, "There isn't anything to say." But they go on for another half hour, just the same.



The teenagers in "River's Edge"

Cinema/Nigel Andrews

Grim comedy of youth

River's Edge directed by Tim Hunter
Beverly Hills Cop 2 directed by Tony Scott
Hearts of Fire directed by Richard Marquand
What Happened to Kerouac?

Problem films about teenagers almost always ask two questions. One: why are they such a mixed-up lot? Two: where *if* anywhere *did* we (the grown-ups making this film and their generation) go wrong?

The splendidly dark and offbeat *River's Edge* follows in this interrogative grand tradition, which stretches from *Rebel Without a Cause* to *Rumble Fish*. From the movie's opening we are thrown straight into the deep end of adolescent anomie: a small-town schoolgirl has been casually murdered by her fat, dim-witted boyfriend (Daniel Roebuck) and left to turn cold and pale blue on the riverbank. The only people *privileged to glimpse the corpse* are his friends, who show few emotions stronger than prurient curiosity and swear loyalty and secrecy to their buddy. Chief among them is the semi-certifiable Layne (Crispin Glover), a leather-clad dandy whose hooked nose, long hair and preening authoritarianism suggest a high schooler in training for Richard III.

While the dead girl languishes by the river, well beyond her bury-by date, the story darkens into a grim comedy of affectless youth. The small-town *night multiplies with off-kilter* characters and incidents. Dope is plentifully smoked, courtesy of supplier Dennis Hopper, a burnt-out ex-con living with an inflatable sex doll called Ellie and nursing poignant memories of the crime passionnel which put him in jail. (He shot his girlfriend.) One boy (Keanu Reeves) struggles with the urge to break ranks, defy Layne and tell the police. And meanwhile the town's parents and teachers are a mixed bag of 60s-generation leftovers, from Reeves's pot-smoking Mum to *the schoolteacher who* waves his last shreds of pride, flag-like, at his class—"We stopped the Vietnam war"—and is greeted with monolithic indifference.

Director Tim Hunter (of *Tex*) and screenwriter Neal Jimenez build up this fresco of an emotionally atrophied society from a true-life incident, the murder of *a girl in Milpitas, California, in* 1981. But the movie's triumph is to have avoided all hints of a portentous docudrama. Its skittering structure and low-key goofiness of character make it seem more like a Robert Altman film transposed to a social - moral twilight zone. While asking all the usual questions about problematic youth, it gives the characters themselves the right to remain silent and to go about their blindly self-absorbed business. Its greatest irony is that it shows us a small-town America full of movement that goes absolutely nowhere. "Rite of passage," for 1980s youth and perhaps for 1980s America, has *become rite of stasis.*

★

Nothing could better illustrate the art of standing still while appearing to explode with movement than *Beverly Hills Cop 2*. This sequel to the money-spinning Eddie Murphy romp of yesteryear not only stands still, it virtually dies on its feet. Mr Murphy, with flashing teeth and high-pitched patter, zooms into LA once more to help the local police and to out-quake the San Andreas fault (he and we hope) with his *shibboleth-shaking* humour.

We should be so lucky. Two hours after the film begins we are still waiting for the first tremor. Murphy's banshee comic impromptus and impersonations — from hysterical clairvoyants to hysterical building inspectors—now substitute volume for invention: and the *film is directed by Britisher* Tony Scott with all the subtlety and modulations of pace he brought to *Top Gun* (that is, none). The witless, breakneck, synthetic experience is rounded out by a crew of villains who seem like rejects from a James Bond movie: notably Jurgen Prochnow as a Germanic gunrunner and Brigitte Nielsen—formerly Mrs Stallone—as a six-foot Amazonian blonde with sex-appeal. The only difference is that in a Bond film these characters would have been given the odd witty line. So, *come to that, would the hero.*

★

"It's called 'Hearts of Fire', isn't it?" exclaims the Svengali-like British rock star (Rupert *Everett) to his new American* singing protege (Fiona) in mid-rehearsal: "Well, sing it with a bit of f — — — ing fire then!"

Hearts of Fire is the luxuriantly loony tale of a young female tollbooth cashier (the aforesaid Fiona) who puts the vending of turnpike tickets behind her to become a living legend. But then this is one *of those movies in which every*one is a living legend. Fiona's first mentor, for instance, is "the legendary Billy Parker," an ageing rock singer played with grizzled grace by the *legendary Bob Dylan*. Then, once she and Mr Parker-Dylan arrive in London for a concert tour, they meet the legendary UK rocker James Colt, played by Rupert Everett with a stoop, a hawkish pallor and shoulder-length black hair. (Is this Richard III week at the movies?)

Once this trio get together, there is no stopping the triangular complications: although one feels the director, the late Richard Marquand (of *Return Of The Jedi* and *Jagged Edge)*, might have made more of an effort to try. Equally profuse and uncontrollable are the bromides and awful warnings about life in the rock *world's fast lane. The pressures* of the press! The temptations of ambition! ("The better you are, the bigger the trap," warns Dylan.) And the deceits of adulation! The blind girl, for instance, who religiously attends all Everett's deafening concerts ("She's the only one who understands mah music," he explains) ends up going into his dressing-room with a gun. She obviously has more taste than we or Everett credited her with.

So the film marches on: fearless of cliche, purple of emo*tion and no respecter* of the Noise Abatement Society. Its dual-location story is clearly aimed at pleasing audiences in both America and England. But with one foot in each country, it seems more like a tortured Colossus doing the splits across the Atlantic, with predictably painful results in sensitive areas.

★

What Happened to Kerouac? is a wonderfully engaging documentary about the Beat Generation and its founding writer-hero. Slapping together all the least promising ingredients — videotaped interviews with yesterday's gurus (Ginsberg, Burroughs, Gregory Corso), fading clips from TV chat shows, dingy 16-mill footage of home towns and birthplaces — directors Richard Lerner and Lewis McAdams find they have stumbled on the perfect recipe. The film may look like a dog's dinner, but then so did most of the Beat Generation. What matters is how they tasted and how nourishing they were.

Very, the film answers, and it is succulent to match. Ginsberg, who now looks like Francis Coppola's doppelganger, holds forth about life, death, art and the beyond. Corso peers over *half-moon* specs and loses his temper with the interviewer. Burroughs continues his lifelong impersonation of a dead body speaking from inside a raincoat. And Kerouac himself is irresistible: a darkly handsome poet-prince pursuing his tragic fall all the way from relative sobriety on the Steve Allen show to clearly plastered unroariousness on the William Buckley show.

The film's only sad reflection —and even that a ruefully comic one—is that art and history seem to be measured ever more these days in TV chat programmes. If Shakespeare had lived in the 1980s, we would no doubt be reviewing his life and work now according to his appearance on Wogan.

Werther/Coliseum

Rodney Milnes

Rather than revive once again the Copley-Lazaridis production of Massenet's opera, which has been shuttling back and forth between the Coliseum and the Garden for many years now and has been looking its age since it was new, the ENO management has commissioned a new staging from Keith Warner and Stefanos Lazaridis for the *same modest cost* as resuscitating the old one. The result is a black tunnel set, a mere handful of props, mostly black costumes (with one or two daringly veering towards interesting grey), and that's it —except for a brilliantly inventive lighting plot by Alan Burrett.

Does it work? Yes, a thousand *times yes.* The banishment of all picturesque flummery pays Massenet's opera the ultimate compliment of taking it seriously, and the compliment is repaid many times over. *The audience's collective* mind is concentrated on essentials, on character, on motivation, on text and—vital in this work—on subtext.

Mr Warner's direction is extremely daring: he goes for the full Romantic Agony and, with the wholehearted collaboration of his singers, achieves it without a hint of embarrassment or mawkishness. Mark Elder, con*ducting the work for the first* time, is equally bold: he never flinches from the heady perfumes of the score, catches unfailingly that momentary holding of musical breath that is the secret of *mature Massenet, and* lets the big moments rip. To quote the ENO's penultimate new production, "there is no other way."

The cast is quite wonderful. Following his success as Faust, it was inevitable that Arthur Davies should tackle Werther, and quite honestly it suits his Italianate timbre rather better. His performance, vocally utterly secure, wrings every known wither without ever descending to mere melodrama, and the same is true of Ann Murray (Charlotte), tackling the sort of major role she is all too seldom offered in this country. Her singing is at once unstintingly generous and totally controlled, her impersonation heart-rending in its essential truth. The stage pictures these two create in "Pourquoi me reveiller" are unforgettably poignant.

A particular strength of the production *is the way it shows* the agony of the central situation spreading to those on the sidelines. Sophie has always been one of Cathryn Pope's *best roles, but she has never* been seen to better advantage, and Steven Page's control of Albert's decline from fresh-faced eagerness to ice-cold misanthropy marks a significant stage in this exceptionally gifted young artist's career.

My only doubt concerns turning Johann and Schmidt into grave-digging messengers of death (they take delivery of Albert's fatal pistols) but it is a trivial one in the context of the whole, and certainly no justification for the asinine booing at the end, soon drowned by cheers.

Enough: this *Werther* is a triumph for Massenet and a triumph for the ENO. It must be seen, without delay.

Les Troyens/Lyon

Andrew Clark

It is hard to believe that until this year, French audiences never had the chance to hear a complete performance of *Les Troyens* in one evening, as Berlioz wanted. Yet that was the miserable truth until Serge Baudo set out to rectify the situation at the Berlioz Festival in Lyon. Baudo had already performed the two parts of *Les Troyens* on separate evenings at the 1980 festival. In the intervening period the festival has become a two-yearly instead of an annual event, allowing it to concentrate its resources to greater effect. This production swallowed a budget of £700,000 and involved a chorus of 200, as well as a large orchestra, 16 *soloists and teams of back-up* staff. Only four performances were given. It was a labour of love, with nearly 4½ hours of music (including Hugh Macdonald's orchestration of the Sinon episode) and two hour-long intervals.

The production was housed in the bow-shaped Auditorium Maurice Ravel, the city's modern, characterless concert hall, which the production team adapted imaginatively to their own ends. The acoustic played a few tricks: the admirable Orchestre Nationale de Lyon, *placed in a deep pit, was almost* too warmly integrated and recessed to show off much refinement of detail, and there was rarely a sense of the thrilling power of the Berlioz orchestra in full flight. In contrast, the voices came over with a kind of dead clarity — but at least they did not have to *force* to be heard.

None of these reservations counted for much when set against the overall definition and conviction of the performance, a tribute to Baudo's seasoned powers of co-ordination and interpretation, and to the quality of choral preparation. One of the evening's most striking features was the manoeuvrability and organised spontaneity of such a huge mass of people, choreographed with a blend of minute individuality and surging block power: for *all* the fine solo performances, this remains a chorus opera, as the title suggests.

The staging, by the talented young partnership of Patrice Caurier and Moshe Leiser, was of the "archaeological" variety, picking its visual images from a mixture of ancient Greece, 19th century France and the present day, and matching them selectively and harmoniously to Berlioz' broad musical canvas. The stage was a vast bed of sand, bound by a rear wall of grey brick and flanked by a *tilted column of gold* proscenium boxes. This solution, workable but monotonous for the first part, came into its own in the Carthage scenes, in which the raked proscenium opened out to provide a stage-within-a-stage. There was a fleeting glimpse of the battle-weary *Berlioz, an enchanting classical* ballet danced to a 19th century salon audience, and a vivid slow-motion enactment of horse-back of the Royal Hunt. The costumes were timeless: Cassandra, shaven-headed in an enveloping black robe, clutched an ancient classical artefact, while Dido was clothed in a beautifully-cut slim white neo-classical gown, with a regal black wig.

To find an echo of contemporary theatre in this epic tragedy, to fill the music's space without overloading it *with stage business, and to pre*serve the simplicity and directness of the intimate set-pieces: this is a tall order for any interpreter of *Les Troyens*. It was achieved here with a young and versatile cast headed by Jo-Ann Pickens as Cassandra, Gary Lakes as a robust and imposing, if not ideally heroic Aeneas, and Kathryn Harries as Dido. Miss Harries seems to be developing into a singer-actress of commanding presence: she sang with resonance and refinement, and acted the part with chaste *dignity. Her contribution cer*tainly set the seal on a second half which had us believing that Berlioz never wrote anything finer.

Don Cherry/Elizabeth Hall

Ronald Atkins

The party conference season is the time of applause, but I doubt if those at Blackpool and elsewhere will have heard a more heartfelt ovation than *Don Cherry's Nu* received at the close of Wednesday's concert. Twelve numbers and ever-changing moods made two hours flow by, as the level of intensity stayed high without the musicians over-blowing or seeming to strain in any way.

The hall was packed for the opening of the Contemporary Music Network programme. An auspicious start, though sadly the group was missing Ed Blackwell who was indisposed. With Nana Vasconcelos, who normally provides percussive colour, doing the time-keeping the music could not be said to suffer. However, one of the charms of *Nu's* earlier appearance at Bracknell had been the unusually gentle rhythmic support, and there were moments when Vasconcelos by himself pushed too hard.

The front line of trumpet and alto saxophone underpinned by the strong-toned bass of Mark Helias made one think of Ornette Coleman and the quartet he once led with Cherry. *Some of the tunes would have* fitted the bill, but the analogy stopped there. Cherry took most of the opening solos and his skittish, highly mercurial approach that seeks consistently to avoid anything remotely stereotyped —on the faster pieces, at least —launched the numbers in a style very different to Coleman's more evenly-paced and overtly melodic patterns.

Carlos Ward, known mostly as a sideman with Abdullah Ibrahim and others and therefore vastly underrated, is also *far from being a Coleman dis*ciple. There were echoes of Eric Dolphy in his use of wide and unlikely intervals, but his sound was purer and at times almost sweet, thrillingly so when he explored the high register. Convoluted but direct where Cherry was devious, he made the perfect *foil*. At one point, he followed a tip-toed, tightly-muted trumpet solo with the kind of explosion that suddenly put the group in perspective: if analogies were wanted, the obvious choice was the Miles Davis quintet with John Coltrane.

Helias did a superb and selfless job and took just one solo, solid work around the tonic, then growing more agitated and ending with a sort of swirling jig. Vasconcelos worked his magic on the berimbau, a single-stringed in*strument shaped like a bow* that emits wondrous noises when tapped with any part or with stick or finger.

Arts Week

Continued from Page 24

Theatre

Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in *pageantry and drama, if not strict* adherence to its original source. (239 6200).

Starlight Express (Gershwin): Those who saw the original at the Victoria in London will barely recognise its American incarnation: the skaters do not have to go round the whole theatre but do get good exercise in the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up silly plot. (586 6510).

Me and My Girl (Marquis): Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness *in a stage full of characters; but it* has proved to be a durable Broadway hit with its marvellous lead role for an agile, engaging and deft actor, preferably British. (947 0033).

TOKYO

Les Misérables. After London and New York, now Tokyo and the Japanese version of the Tony-award winning musical. The cast was hand-picked by the creative team of producer Cameron Mackintosh (from an astounding 11,500 hopefuls), then trained for nine months in a special "ecole" and rehearsed by director John Caird. Costumes, set, sound, lighting have been supervised by the respective original designer flown in from London. *Toho's Les* Misérables is a triumph. The best production of a Western musical in Japan, it differs little from the original London version. Convincing and moving, this top-quality production shows what can be achieved with proper casting and training. Sponsored by the cosmetics company, Shiseido. Imperial Theatre, near Ginza. (201 7777).

Noh by Torchlight (takagi Noh). Ideal *for the lovely cool autumn evenings,* this threatre by firelight offers a rare chance to experience Noh in its original outdoor setting. The effect of strategically placed fire caskets around the darkened stage is per*fect for its other-worldly atmos*phere. Yoroboshi is about a reconciliation between a father and his banished son who becomes a beggar-priest, and is followed by the kyogen comic piece, Tsuto Yamabush. The pocket books A Guide to Noh *and Guide to Kyogen (available* at hotel bookshops), give the plots. Hibiya City Plaza, near Ginza. (Thur). (237 9999; 595 0295).

WASHINGTON

Breaking the Code (Eisenhower: Derek Jacobi brings his role of Alan Turing to America. Ends Oct 31. Kennedy Center (254 3670).

Red Noses (Goodman): The American premiere *of Peter Barnes' medieval* vaudeville comedy pits Father Flote (Ivar Brogger) against the plaque with his remedy of humour. Ends Oct 31. (443 3800).

Opera and Ballet

LONDON

Royal Opera, Covent Garden: The new Royal Opera Nozze di Figaro combines the talents of Bernard Haitink as conductor, Johannes Schaaf (British debut) as producer, and a cast including Claudio Desderi, Thomas Allen, Karita Mattila and Marie McLaughlin. Further performances of the Bohème revival, final of Tannhäuser.

English National Opera, Coliseum: The Pearl Fishers, an opera of weak libretto but beautiful music, returns to London in a performance musically triumphant (with Charles Mackerras conducting and Sergey Leiferkus, *Valerie Masterson* and Adrian Martin, the excellent singers) over a rather ugly, confused production by Philip Prowse. The Werther revival has Arthur Davies and Ann Murray new to London in the leading roles; Sondheim's Pacific Overtures, an admirable addition to ENO repertory, is on the whole very well performed despite minor flaws and longueurs) by the all-male cast.

WEST GERMANY

Berlin, Deutsche Oper: A guest performance by the Teatro alla Scala, Milano of Nabucco, conducted by Riccardo Muti with Ghena Dimitrova, Renato Bruson, Paata Burchuladze and Luciana d'Intino leading the cast.

Hamburg, *Staatsoper: Turandot stars* Beatrice Haldas, Peter Haage and Carl Schutz. Carmen is sung in French with Ruza Baldani, Rachel Joselson and Franz Grundheber. Il Barbiere di Siviglia and Die Entführung aus dem Serail is also in the repertory, and The Nutcracker, choreographed by John Neumeier is revived with Jessica Funt, Colleen Scott and Ivan Liska.

Cologne, *Opera: Alida Ferrarini* is repeating her praised performance as Gilda in Rigoletto, and Roland Hermann, Eva Tamassy and Randall Outland star in Harry Kupfer's production of Das Schlaue Füchslein.

Stuttgart, Württembergisches Staatstheater: Carmen Mammoser, Yasuko Kozaki, Rüdiger Wohlers and Jörn W. Wilsing take the leads in Martha and Reinhild Runkel, Karan Armstrong, Toni Krämer and Roland Bracht in Götz Friedrich's production of Die Frau ohne Schatten. Eva Randova, Gabriele Benackove-Cap, Matthias Hölle and Siegmund Nimsgern star in Aida. Alceste is conducted by Dietrich Fischer Dieskau and has Dunja Vejzovic, Tomoko Nakamura, John Sandor and Raymond Wolansky in the main parts. *Iphigenie auf Tauris and* Jenufa round off the week.

München, Bayerische Staatsoper: Cosi fan tutte stars Lucia Popp, Delores Ziegler, Julie Kaufmann, Claes H. Ahnsjö and Rolando Panerai. There is also Peter Beauvais' production of Die lustigen Weiber von Windsor, and a Falstaff with Pamela Coburn, Angela Maria Blasi, Brigitte Fassbaender, Rolando Panerai and Wolf*gang* Brendel. *Heinrich Bender will* conduct Madame Butterfly.

NETHERLANDS

Amsterdam, Muziektheater: The Netherlands Opera production of Verdi's Don Carlos directed by Alberto Fassini to the mise-en-scene by Luchino Visconti. Hartmut Haenchen conducts the Netherlands Philharmonic, with Neil Rosenshein in the title role, Susan Marie Pierson, Harry Peeters, and Mimi Lerner (Wed). The National Ballet company in the world premiere of Shamrock, a new work by Carolyn Carlson to music by Gabriel Yared (Thur). (255 455).

PARIS

Swan Lake alternates with Bach's Magnificat in John Neumeier's choreography with the Paris Opera's stars and corps de ballet in a co-production with the Avignon Festival at the Paris Opera (4742 5750).

Il Trittico: the Opéra Comique (4296 0611).

Kabuki – four centuries of Japan's popular traditions at the TMP-Chatelet (4233 4444).

Die Zauberflöte with Orchestre de Paris and its choir, Les Petits Chanteurs de Paris conducted by Daniel Barenboim in a new production by Jean-Pierre Ponnelle at the Théâtre des Champs Elysées (4504 1215).

NEW YORK

Metropolitan Opera (Opera House): Das Reingold joins the repertoire, conducted by James Levine in Otto Schenk's new production with Hildegard Behrens, Gwendolyn Brandley, Anne Gjevang, Peter Hofmann and Franz Mazura. The week also features L'Elisir d'Amore conducted by Ralf Weikert in Nathaniel Merrill's production with Dawn Upshaw, Carlo Bergonzi and Brian Sheanayder; Manon, conducted by Manuel Rosenthal in Jean-Pierre Ponnelle's production with Catherine Malfitano and Alfredo Kraus; and Ariadne auf Naxos, conducted James Levine in Bodo Igesz' production with Jessye Norman, Kathleen Battle and Tatiana Troyanos. Lincoln Center (362 6000).

Feld Ballet (Joyce): Two new ballets, Embraced Waltzes and A Dance for Two, highlight the mixed programmes of this 22-dancer company in its month-long season. Ends Oct 31. 175 8th Av at 19th St. (242 0800).

WASHINGTON

New York City Ballet (Opera House): Two week visit features mixed programmes including Swan Lake Act II, Agon and Brahms/Handel. Ends Oct 25. Kennedy Center (254 3770).

Saleroom/Antony Thorncroft

Napoleonic mysteries

Sotheby's was cautious about a suite of three gold and gem set acrostic bracelets which it was selling yesterday. The acrostic commemorated events in the lives of the *Emperor Napoleon* and his wife Marie Louise, such as their birthdays and wedding day, but the saleroom catalogued the lot as 19th century and did not try to suggest that the *bracelets were gifts from the* Emperor to his wife. The top estimate of £10,000 was modest.

In the event the reputable London dealer S. J. Phillips paid £52,800 for the decorative set, which implies some faith in a romantic origin for the bracelets.

Napoleon and his well connected Austrian bride hardly represented a love match but there can be few doubts about the mutual passion of the Duke and Duchess of Windsor. Sotheby's auction of the *Duchess's jewels in the spring* was such an outstanding success that owners of momentoes of the couple have been quick to cash in on the popular interest in their relationship.

A pair of gold, coral, diamond and enamel Fou du Roi clips, along with other brooches, Christmas gifts from the Duke and Duchess to the Duke's secretary Miss Anne Seagrim in the early 1950s, sold for £18,150 yesterday to the Alexandra Gallery of New York. The price was double the top estimate. The clips, in the shape of jesters, had been made by Van Cleef and Arpels and were bought by the Duke in 1939. Another royal present to Miss Seagrim, a silver cigarette box, made £5,500, near the bottom end of its estimate, suggesting that the market for Windsor baubles has reached saturation.

A *rare gold Delhi Durbur* medal of 1911, of which two hundred were struck, made £11,000 while a diamond riviere, a string of stone, sold for £16,500 to the London dealer *Drager.*

The auction houses make most of their money from sales of Impressionist and modern pictures, and although the sales in these sectors held in New York on Wednesday were not of first importance they were interesting in giving a pointer to the new season. Both did well, contemporary art making £1,843,316, with a very low 5 per cent unsold, and Impressionist and modern art £2,928,441, with 10 per cent bought in. A 1964 Andy Warhol *of Flowers on four* panels almost tripled its estimate at £131,934, while another Warhol silkscreen, of Liz Taylor, also did well at £105,547. Obviously you are valued more highly when you are dead. Among the earlier works a Vlaminck oil, "L'orage," did well at £98,950, significantly, to a Japanese buyer. The Japanese have been the main supporters of this sector in recent seasons.

Christie's had a good sale of English furniture with practical items like tables and chairs doing particularly well. A Regency mahogany dining table sold for £35,200 as against a £7,000 forecast.

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Friday October 9 1987

Mr Reagan and the Court

THE Supreme Court of the United States is a unique institution. It is the third pillar of government, alongside the executive and legislative branches. Its judgments and opinions can reach deep into all walks of American society. It may work in step with the times, it may be behind them and it may be on the cutting edge of change.

The process of nominations to the Court has always been intensely political, to the point that a measurable percentage of those presented to the US Senate for ratification have been turned down. Presidents as disparate as Franklin Roosevelt and Richard Nixon have tried to shape the Court to their liking but with limited success, not least because Justices have a habit of developing in unpredictable ways once installed. Neither Earl Warren nor Hugo Black entered the Court with reputations for liberalism and interventionism, but both became giants of the most activist progressive Court in this century. Mr Lewis Powell, who retired earlier this year, was a Nixon nominee of apparently conservative persuasion who, over the last few years, frequently cast the decisive "swing" vote on the liberal side of issues.

Landmark ruling

Judge Robert Bork, proposed by President Reagan to fill the Powell seat, looks like going down to defeat because of the perceived lack of that critical element of unpredictability. To his opponents, mostly, but not exclusively, on the conventional left, his presence on the Court implies an enduring conservative majority and a probable rewriting of many of the precedent-setting Court initiatives of 1954 to 1973, which began with the landmark ruling ending school desegregation and ended with the judgment overturning all state anti-abortion laws.

In his defence, Judge Bork stoutly maintained that his political outlook, admittedly conservative in, for example, his dislike of abortion, had little to do with his judicial philosophy, which is very much one of restraint on the part of the courts. But this is a fine distinction which cut little ice with Senators aware of the views of, in this instance, their female, but also their black, constituents. Nor was his cause much helped in the end by the clear desire of his more ardent supporters that the Reagan revolution, the achievements of which especially in social policy still disappoint the true believers, be continued on the Supreme Court after Mr Reagan has left office. To Democrats, who last had the opportunity to name a Justice 20 years ago, the potential imbalance seemed frightening, especially when it took the form of such an obviously powerful intellect as Judge Bork.

Internal divisions

Somewhat lost in the heat of the debate is the reality that the Supreme Court is going through one of its more non-interventionist phases. Partly because of its close internal divisions and perhaps because it has lacked a heavyweight judicial philosopher of the stature of a Brandeis or a Frankfurter, it has conspicuously since 1973 not broken much new ground in its rulings but tended to resolve cases on their narrower merits.

As such it has been pretty much in step with the times. In spite of claims from the right to the contrary and the undoubted decline of the left wing of the Democratic Party, the US in the 1980s has experienced nothing like the ideological conflict so marked in Britain. Indeed, the Bork case is the closest the US has been in several years to such a clear-cut confrontation, a testament to the passions his nomination has aroused. For the most part, the balance of power and thought in the US has been well maintained. While Mr Reagan, the conservative, was commanding the heights of Washington, pragmatism and even progressivism remained alive and well in much of the heartland. In such a climate, and in the absence of glaring inequities, such as continued racial or sexual discrimination on a grand scale, the scope for judicial activism probably is limited. Consolidation becomes the safest course.

Mr Bork, in the end, seems to have failed to convince that his intent was also to preserve. If the full Senate turns him down, Mr Reagan will have to find someone else, possibly less distinguished intellectually, to do the job.

Price discipline in electricity

THE BRITISH Government allowed electricity prices to fall by 17 per cent in real terms during the last five years. Now ministers are suggesting that prices may have to be raised significantly to finance future investments of perhaps £40bn over the next 20 years.

Such lurches in policy towards nationalised industries have become dismally familiar. Indeed, the bad effect of political interference was one of the main arguments for the Government's privatisation policy.

His view that the industry is making inadequate profits is hard to contest. Its real return on the £37bn of assets (valued at replacement cost) was 3 per cent last year, little more than a third of the average return achieved by the private sector and well short of the 5 per cent real rate of return required by the 1978 Nationalised Industries Act for new investments.

Low profits

However, it does not follow that electricity prices must be forced up in real terms to restore profitability. The low profits of the electricity industry reflect an over-optimistic building programme in the late 1960s and 1970s. Much concrete, sweat and tears was poured into badly managed power station projects, whose costs will never be fully recovered. It would be wrong to raise present prices to pay for these past mistakes.

In a competitive market—for example in oil refining—the penalty of investment mistakes is borne by the investors, not by consumers. Similarly, in electricity, the owners (British taxpayers) will have to sell many of the existing assets at well below their book value. A suitable price can be found to make these assets attractive to the private sector, without any need to raise electricity prices. Although higher electricity prices would maximise the proceeds of the sale, this would simply be a transfer from consumers to taxpayers without any economic benefit to the nation.

The proper question for ministers, therefore, is whether the present level of electricity prices would allow the industry to make an adequate return on efficiently managed future projects. The industry itself claims its recent projects have been achieving the required real rate of return of 5 per cent. Since the Central Electricity Generating Board believes its nuclear plant being built at Sizewell in Suffolk can make a real return of 8 per cent (and that future nuclear stations should do better), the presumption must be that present prices are about right.

Moreover, an electricity industry free to buy coal aggressively on the world market could make substantial savings, since imported supplies cost some 30 per cent less than the average price of £42 per tonne charged by British Coal. The CEGB has suggested that it might save as much as £750m a year, which would raise its return on capital from 3 per cent to 5 per cent. In the longer term, the higher efficiency of new power stations should allow the industry to reduce costs by perhaps 1 per cent a year in real terms, at present levels of world energy prices.

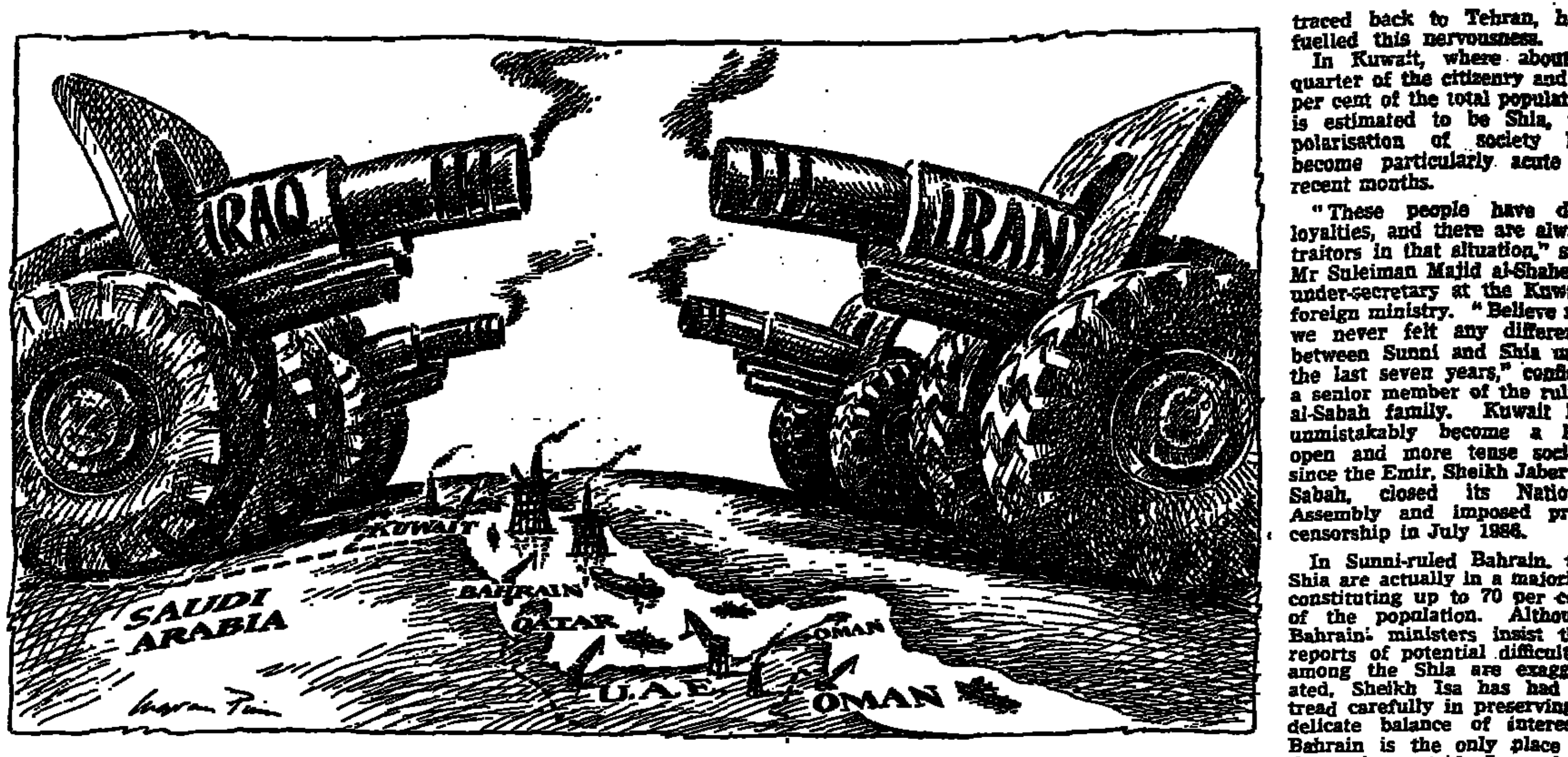
The argument for any rise in electricty prices in real terms is therefore thin, although it might be said that, with profitability still poor, it was imprudent to let prices fall so fast in recent years. The Government's target of a 2.75 per cent real rate of return on total capital for the three years until April 1988 was probably too modest, and will certainly need to be raised in stages for the next three-year period. But the new target should be achievable — and achieved—by rigorous cost cutting rather than by raising prices ahead of inflation.

Real prices

That is the way the Government believes a privatised industry should approach the problem. It would therefore be highly inconsistent for ministers now to give future private owners an endowment of higher real prices, especially as world coal prices are depressed, and the industry is almost debt free and with plenty of cash to meet all commitments for the next half decade. If the industry is efficient, its future investments should be profitable at present real prices. And if it is profitable, it should be able to raise all the longer-term finance it needs without any extra burden on present consumers.

The Gulf states and the war: by Andrew Whitley, Tony Walker and Andrew Gowers

Caught both ways in the crossfire



"FOR THE FIRST six years of this stupid war, it really didn't bother me," mused a leading Abu Dhabi businessman the other day. "I hated the Iranians and I hated the Iraqis. But now for the first time I think it's really serious out there."

His remarks typify a view which has spread southwards through the tiny oil-producing principalities and sheikhdoms of the Gulf littoral as the Iran-Iraq war has moved into what is, by common consent, a dangerous and unpredictable phase. With five foreign navies now represented in the region, Iran threatening to attack Iraq's supporters on the Arab side of the Gulf, and the political climate polarised by the riot involving Iranian pilgrims at the Saudi holy city of Mecca this summer, the fear of a wider regional conflagration has resurfaced with a vengeance.

The worries are real, as is the sense of powerlessness. But the anxiety may be misplaced. Behind the drama of recent weeks there are tentative signs of increased rather than decreased confidence.

To be sure, all of the five Arab states allied with Saudi Arabia in the Gulf Co-operation Council (GCC) — Kuwait, Bahrain, Qatar, the United Arab Emirates and Oman—have been touched by the explosive events unleashed by the 1979 Iranian revolution and the 1980 invasion of Iran by Iraq.

Kuwait, barely 50 miles from the main southern warfront, has felt menaced by Iranian assaults on the Iraqi city of Basra and by Iran's 1986 occupation of the Fao peninsula. When the guns boom, windows rattle in central Kuwait. Kuwait has also seen a lucrative re-export trade to Iraq and Iran diminish dramatically and has had to endure Iranian missile attacks and Iranian-inspired bombings and subversion.

Meanwhile, Bahrain has been threatened by a long-standing Iranian territorial claim, and in 1981 foiled an Iranian-backed plot to overthrow its ruler, Sheikh Isa al-Khalifa.

Even the avowedly neutral emirates grouped in the UAE federation have not been immune. In November last year, Iran mounted an attack on Abu Dhabi's offshore Abu al-Bukhoosh oilfield, and Iranian-laid mines have recently been found off the coast of Fujairah. Oman has had to perform an ever-more delicate balancing act between Tehran and its friends in the west, notably Britain and the US.

All five of these Arab states are acutely aware of the vulnerability conferred by their location and size. They lack Saudi Arabia's strategic depth and, with the exception of Oman, their armed forces are a nominal deterrent. Their traditional ruling families also have to contend with large and potentially destabilising expatriate populations from all over the Middle East—in some cases from Iran.

Yet despite these disadvantages, the Gulf states have seemed remarkably resilient during seven years of warfare. And this year, they have been encouraged by several developments.

First, the economic gloom which beset the region during the plunging oil prices of the mid-1980s has been alleviated to some extent by the new-found, albeit fragile, stability in the oil market. The collective oil revenues of the five small Arab producers—down to $13bn (£7.9bn) in 1986—are expected to rise by as much as a third this year.

Second, on the battlefield itself, a debilitating stalemate continues, and the fighting may have reached something of a turning-point with Iraq's successful defence of Basra earlier this year. If Iran had succeeded in breaching Iraq's defences, there would have been pandemonium in neighbouring Kuwait—the capital flight which accompanied Iran's capture of the Fao peninsular was only a mild foretaste. It can now plausibly be argued that Iran simply does not have the capacity to make the decisive breakthrough at the warfront.

Third, the Gulf states are well aware of, and encouraged by, the heightened international interest in ending the war—symbolised by the unanimous but so far ineffectual United Nations Security Council resolution 598, passed in July.

If the Gulf countries' anxiety has, as a result of these factors, become less acute; concern has focused on two issues, both of which are sources of intense but discreet controversy between the states. These issues divide them more clearly than ever into two distinct camps: a northern one in loose alliance with Iraq and a southern grouping around the Strait of Hormuz.

The first of these issues is the build-up of foreign, especially American, military forces in the region. The massively increased US presence is a direct result of Kuwait's request to place half its tanker fleet under the American flag. In itself an indication of Kuwaiti alarm about external and internal threats, this was also a major policy reversal for the GCC, which had hitherto publicly opposed foreign intervention in the region.

The southern Gulf states, while publicly endorsing Kuwait's right to protect its commercial interests, are privately critical of their northern ally's action which, UAE and Omani diplomats say, has introduced a further element of instability into the region.

None the less, several governments—principally Kuwait, Bahrain and Saudi Arabia—are said by Western diplomats to be co-operating with US forces to a much greater extent than their public postures would suggest.

Bahrain, with Oman perhaps the most pro-Western of all the Gulf states, provides an onshore "facility" for the Americans known as the Administrative Support Unit. The US pays the Bahrainis $2m a year for the privilege of a permanent berth in its harbour for a US Navy ship, onshore offices for logistical staff and other non-belligerent facilities. The US Navy has also established a makeshift base aboard a barge moored 12 miles off the Bahraini coast, and the Americans are building a US Air Force base in the south of the island to accommodate a squadron of advanced F-16 fighters.

"This whole thing would not happen without Bahrain," says one diplomat, referring to the US tanker escort operation.

Just as importantly, even those governments which harboured reservations about the increased American presence are apparently beginning to accept that it has so far constituted a useful buffer against Iranian threats to expand the war—in effect, that it is serving the purpose of containing Iran. Moreover, contrary to all its rhetoric, Iran itself has shown a marked reluctance to confront the US fleet head on.

The main fear, often expressed in Saudi Arabia and the southern Gulf states, concerns the likely reliability of the US commitment. These governments are well aware of Congressional concerns about US activities in the Gulf, and they worry that, as one observer in the UAE put it, "if they incur serious casualties the Americans will turn tail and run just as they did in Lebanon"—a reference to the US withdrawal from Beirut after a suicide bomb attack on its marine barracks, in which 243 died.

The second current issue concerns policies towards Iran and suspected Iranian sympathisers in other Gulf countries. Here the divisions between northern and southern states are particularly acute. Close supporters of Iraq in the northern group, such as Kuwait and Saudi Arabia, have been pressing since the Mecca events for a complete severing of ties with Iran. The southern states are much more circumspect and have helped to block a collective break with Tehran by the Arab League.

The reasons are geographical and historical. The UAE, Dubai and Sharjah have long-standing and continuing trade links with Iran and sizeable numbers of inhabitants of Iranian origin. Oman is conscious of its position opposite Iran on the Strait of Hormuz. Both the UAE and Oman know they will have to live next to Iran after the war is over and are anxious to ensure it does not become entirely isolated. They also remember the threat which expansionist Iraq, not Iran, posed in the region during the 1970s.

Kuwait, on the other hand—although it is also uncomfortable with its Iraqi big brother—has little choice because of its location but to lean heavily towards Baghdad.

Differences on this issue are also expressed in the Gulf states' domestic policies, and have important implications for their overall stability. This is because of the presence in the region of a sizeable population of Shia Moslems — co-religionists with the revolutionary Government in Tehran.

The Shia have tended to be regarded with suspicion by the largely Sunni Moslem rulers of the Gulf states. At worst, they have more recently come to be seen in some countries as potential fifth columnists for Ayatollah Khomeini, possibly allowing religious kinship to overcome their newer national loyalties. The attempts at subversion in Kuwait and Bahrain, traced back to Tehran, have fuelled this nervousness.

In Kuwait, where about a quarter of the citizenry and 10 per cent of the total population is estimated to be Shia, the polarisation of society has become particularly acute in recent months.

"These people have dual loyalties, and there are always traitors in that situation," says Mr Suleiman Majid al-Shaheen, under-secretary at the Kuwaiti foreign ministry. "Believe me, we never felt any difference between Sunni and Shia until the last seven years," confides a senior member of the ruling al-Sabah family. Kuwait has unmistakably become a less open and more tense society since the Emir, Sheikh Jaber al-Sabah, closed its National Assembly and imposed press censorship in July 1986.

In Sunni-ruled Bahrain, the Shia are actually in a majority, constituting up to 70 per cent of the population. Although Bahraini ministers insist that reports of potential difficulties among the Shia are exaggerated, Sheikh Isa has had to tread carefully in preserving a delicate balance of interests. Bahrain is the only place in the region outside Iran where emotional public displays of mourning and flagellation are permitted during the sect's traditional Ashura parades and thousands of Saudis from the Kingdom's predominantly Shia Eastern province crossed the new causeway to Bahrain a few weeks ago to join in. The dissidents there are among the poorer Bahraini Shia, and public displays of sympathy for Iran's cause are reported to be not uncommon.

The UAE is host to a lesser, but still significant, number of Shia, concentrated in Dubai and Sharjah. Many of them are well-entrenched members of the establishment, including prominent businessmen and senior officials. But even there, strains are beginning to appear. "For the first time we're hearing all this about Shia and Sunni," says one Shia businessman. A long-time Western resident adds: "The Shia here are definitely on the defensive." Even in Iraq, where the Shia constitute 60 per cent of the country's 17m people, they have shown no inclination to join with their co-religionists.

Nor do the Shia dissidents of sophisticated Kuwait have much in common with Shia revolutionaries elsewhere in the region. Intellectuals there say disillusionment with the Iranian revolution has become rampant after the establishment of sectarian clerical rule there and attempts to export the revolution through a narrowly focused call to the Shia to revolt.

None the less, those responsible for the periodic acts of sabotage do appear to swim in a sea of passive support. The authorities face a difficult task in trying to keep the damage to inter-communal relations to a minimum.

It will be all the harder if a wounded Iran—perhaps realising that it cannot now win the war against Iraq—starts lashing out at the conservative Arab Gulf states in the coming weeks and months. But such action, albeit unpredictable and dangerous, poses a threat of an altogether lesser order than the imminent spread of Iran's Islamic revolution which the Gulf rulers once feared.

Men and Matters

Mr Gorbachev writes

"I don't think it will make Mr Gorbachev a very rich man," says Simon King, of publisher William Collins, which next month is to bring out a new book by the Soviet leader. "He has been given the standard contract—a reasonable sum as an advance against royalties."

King refuses to give the sums involved. "It is a private arrangement," he says.

But for Collins, it is a quick bonus from its £95m acquisition last month of a 50 per cent stake in US publisher Harper & Row, which it now owns jointly with Rupert Murdoch's News America.

It was Mike Bessie, a senior editor with Harper & Row, who secured the deal with the Soviet leader. Some two years ago, while discussing various books offered him by Soviet publishers, he suggested: "Maybe Mr Gorbachev might like to write one for us."

Gorbachev, it seems, had been thinking of doing just that—even though International Who's Who lists four publications by him last year, including one entitled The Coming Century of Peace.

His first work for a Western publisher will be called Perestroika: Our Hopes for our Country and the World. Not the catchiest of titles, perhaps, but under it he is expected to set out his ideas on such issues as the democratisation of the Soviet Union and to discuss its position in the world.

Monkey business

If "glasnost" is now official policy at top levels inside Russia then clearly someone has not told Glavcosmos, the Soviet civilian space agency.

A senior official of the agency was billed to appear at a London conference yesterday to tell the world about the latest highly interesting exploits inside MIR, the Soviet's new manned space station.

At the last moment, however, the conference organisers, Online, had to admit that no one had turned up from Russia.

"They have been promising to send someone for the last three months," complained an Online representative. "So much for trusting people."

One theory for the No Show is that the Glavcosmos people are all very busy trying to exert influence upon the monkey which has run amok in space.

Arab rift

While the world's gaze is fixed on mines and gunboats off the United Arab Emirates coast in the southern Gulf, the federation of seven tiny sheikhdoms is licking its wounds over a damaging and apparently continuing political wrangle concerning one of its members, Sharjah.

Sharjah, you may or may not recall, shot from obscurity into the headlines last June as the scene of an abortive palace coup in which the ruler, Sheikh Sultan bin Mohammed al-Qassimi, was briefly unseated by his elder brother, Sheikh Abdul-Aziz.

After a tense few days in which the two most powerful emirates in the federation, Abu Dhabi and Dubai, supported opposing sides, Abdul-Aziz backed down in return for guarantees of greater power, and Sheikh Sultan was reinstalled.

Four months on, UAE citizens are wondering whether anything has really changed. Sultan, an unworldly man who effectively bankrupted his emirate by over-borrowing and then mismanaging the debt, is trying to reassert his control, sacking officials suspected of allegiance to his more forceful military-minded brother.

An Executive Council established as part of the settlement to the June crisis has met only a couple of times and now appears to be moribund. Creditors, owed upwards of US$1bn, await real signs that the ruler is prepared to put his financial house in order.

Meanwhile, those old rivals, Abu Dhabi and Dubai, continue to back their competing horses, with the Nahayan family of Abu Dhabi behind Abdul-Aziz and the Maktoums of Dubai plumping for Sultan. The UAE's neighbours, Iran, Saudi Arabia and Oman, watch warily from the wings.

The coup and its aftermath have been a severe blow to efforts to forge a modern-style, federated state out of seven fractious traditional ruling families, and have exacerbated the deep mutual suspicions between immensely wealthy Abu Dhabi and commercially-shrewd Dubai.

"Over four thousand extra prison places — they must really mean business over multiple share applications"

Economic roots

The march of computerised economics in the City continues. But, as usual, the whizz-kids find themselves harking back to first principles.

Economists at securities house Phillips & Drew have developed a new computer model to give fund managers an instant appraisal of the impact on different industrial sectors of a wide range of economic shocks.

Thus, for example, investors will be able to see within seconds what, say, a 2p cut in the basic rate of tax or a £4bn increase in public spending would mean for the sales of everything from leisure companies to machine tool manufacturers.

The new computer programme, which will be delivered free to Phillips and Drew clients, is also geared to picking winners and losers across different sectors as economic conditions change.

But if the economists behind the scheme can justly claim that it is the first computerised attempt to link macro-economic analysis with individual industries, its antecedents are—like much else in economics—rooted in the 1930s.

It was then that the eminent economist, Wassily Leontief, developed "input-output tables" to trace the myriad of interconnections in a modern economy. The idea was copied by Britain's statisticians and, until the Treasury saw them as an easy target for spending cuts, the published tables were updated by government statisticians every year.

Pasta test

A reference from a previous employer can be of dubious value.

A Southampton solicitor received this one concerning a prospective clerk.

"John was with us for three weeks. During all that time he made cooked spaghetti look tense . . ."

Observer

Britain's building societies are losing out in the financial services revolution. Hugo Dixon reports.

No longer safe as houses

BRITAIN'S building societies often give the impression of being the dinosaurs of the financial world—slow-witted, old-fashioned and unable to adapt. Although the impression is not entirely fair, their environment is *changing* so dramatically that they may soon, like the dinosaurs, be extinct.

Retail financial services markets have seen three major changes in recent years. First, increasing wealth has made Britons more sophisticated in buying financial services and investing their money. Second, the rapid introduction of electronic technology is revolutionising the marketing and delivery of financial services. Finally, and connected to the previous two changes, societies' traditional home loans and savings markets have become more competitive as a result of invasions by banks, insurance companies, estate agents and new types of financial institutions.

It was in order to help societies adapt to this changing environment that the Government passed a new Building Societies Act last year. This Act, the industry's first major legislation for over a 100 years, freed societies to own estate agents, offer certain banking services and act as insurance brokers.

Nothing, however, that had happened in previous years prepared the industry for the shock of the nine months since the new Act came into force. It is now clear that the Act was a half measure—one of the least radical of the Thatcher era. Not only did it fail to give societies sufficient ammunition to defend their traditional markets, it did not free them to carry the fight into their competitors' markets.

The worst damage has been in the home loans market. In 1986, societies accounted for 74 per cent of net new mortgages, but in the first quarter of this year their market share slipped to 60 per cent. In recent months, it has probably dropped below the psychologically important 50 per cent mark. Banks, insurance companies and a new breed of specialist mortgage lenders, in contrast, have seen their share shoot up.

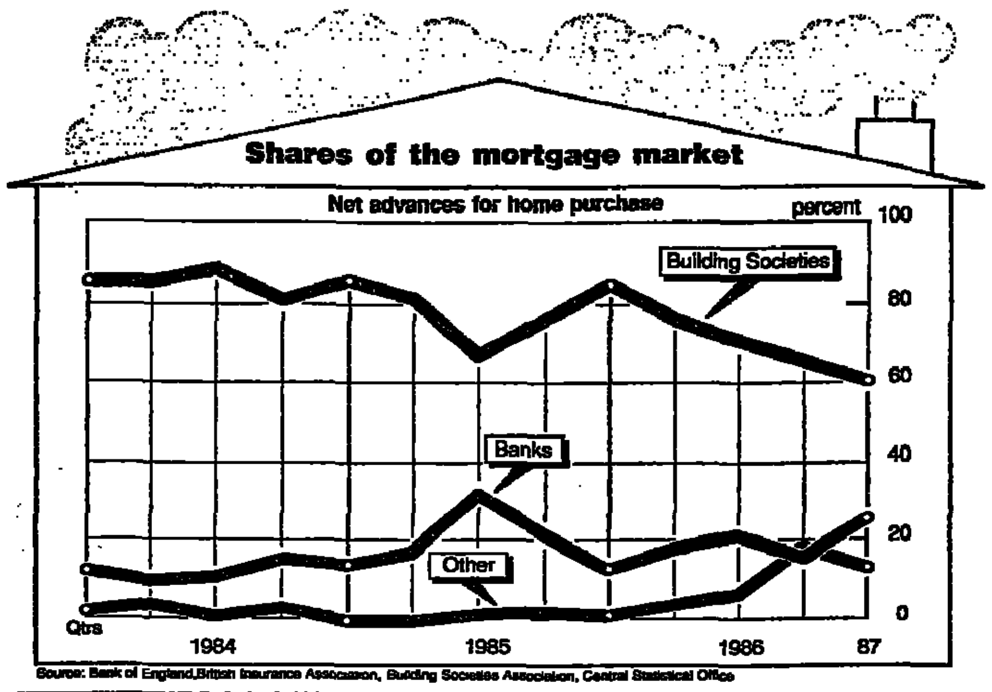
Societies are worried that, if they lose their position as the natural suppliers of mortgage funds, they may never reclaim it. John Bayliss, general manager of Abbey National, the second largest society, thinks the damage is already irreparable: "I don't believe building societies will ever get back market share."

The competition has been able to carve out such a position in the market partly because of determined marketing. They have portrayed themselves as efficient, speedy and unbureaucratic. But a more important reason is that building societies have been fighting with one arm tied behind their backs.

Last year's Act says societies cannot raise more than 20 per cent of their funds on wholesale financial markets. In an earlier era when small investors wanted to leave their savings with societies, this would have been no handicap. But the retail savings market is now a fierce battleground. Societies not only have to contend with banks, who are paying better interest rates on deposits. They also have to compete with a bull market in equities, which is attracting unprecedented interest from small investors. Net investment in unit trusts is at record levels and all sorts of people who would not normally have dreamt of putting their savings into shares have stumped up for the Government's privatisation *issues*.

So long as the bull market continues, societies as a whole are helpless. Hiking up interest rates—as they have tried—simply serves to attract funds from other societies and banks; it does not convince investors to miss out on the likes of British Gas and TSB. "Our main competition is not price-sensitive to fine rates," explains Jim Birrell, operations director of Halifax, the largest society.

The upshot is that the industry has not been able to raise nearly enough money from retail investors to finance mortgage demand. Last year societies borrowed heavily on wholesale markets to fill the gap, but this year many do not have the option as they are bumping up against the 20 per cent limit on wholesale funds.



Source: Bank of England, British Insurance Association, Building Societies Association, Central Statistical Office

This was the background this summer to a row within the movement when base rates were falling. Banks and specialist mortgage lenders, who raise money on wholesale markets because *it is* much cheaper, started cutting their mortgage rates. Halifax and Abbey National, who still had some way to go before they hit the 20 per cent limit, then cut theirs.

Other societies refused to follow suit, with Tim Melville-Ross, chief executive of Nationwide, the third largest society, describing the move by the big two as "barmy." Halifax and Abbey, however, claim it allowed them to keep their share of the market while societies as a whole were losing out. If this is true, other societies must have experienced *a frightening loss of market* share.

Faced with such a swift erosion of societies' core business, the Building Societies Association, the industry's trade body, has asked the Government to increase the 20 per cent limit to 30 per cent. Some, like Abbey's Mr Bayliss, however, think this is not enough, saying a 30 per cent limit would simply be a "one year indigestion tablet."

It is not only in the mortgage market that societies are constrained. In the long run, they can probably survive only if they take the fight into their competitors' markets. That means selling customers banking and investment services. If they do not turn themselves into generalised consumer financial services institutions — albeit with a strong presence in the mortgage market — the banks will steal their customers. As Mark Boleat, Director General of the Association, says: "The old-fashioned traditional building society is no longer tenable."

However, the few adventurous societies who have tried to move along this path have almost invariably found their way blocked by regulatory hurdles. In some cases, it was the result of bad drafting of the 1986 Act. The Government, for example, though it was allowing societies to offer credit cards, unit trusts and deposit-based pensions, but always looking at the fine print discovered they could not.

In other areas, the Government originally had no intention of widening societies' powers. There was no provision for them to own stockbrokers, underwrite insurance, manage funds or become trustees. Moreover, societies cannot make unsecured loans of more than £5,000 to each customer or devote more than 5 per cent of their assets to unsecured lending, effectively restricting any meaningful foray into consumer *banking*.

The Government, in the shape of the Building Societies Commission, the industry's supervisory body, now seems to be changing its tune. Earlier this month, it committed itself to putting right the Act's drafting errors and launched a review, which is likely to result in a widening of societies' services.

The snag is that there are restrictions to what can be done within the present Act. The wholesale funding limit can be increased only to 40 per cent and the limit on the proportion of assets devoted to unsecured lending boosted only to 15 per cent.

Not surprisingly, some societies are *calling for* a completely new act. "Why should we be limited in powers at all?" asks Halifax's Mr Birrell.

However, a new act so soon after the last is politically improbable, so Britain's 140 societies have to decide what to do within the present one.

The top three account for 50 per cent of the industry's assets and the next seven for 30 per cent. The remainder are the most vulnerable. They seem to have been the worst hit by competition in the mortgage and savings markets, but they have neither the management nor financial resources to take advantage of diversification opportunities.

Their main line of defence has been to merge. In the past year, there have been many examples of small societies merging. Even more indicative, though, are the two cases of sizable societies—Anglia (a top 10 society) and Gateway (one *of the top 20)—sacrificing* their independence for security.

The largest societies are split on strategy. Nationwide (which merged with Anglia) and Woolwich (which took in Gateway) seem to be taking the view that they will prosper by providing a safe haven to smaller societies. The problem is mergers only produce economies of scale if costs are cut ruthlessly.

Other societies, such as Halifax and Abbey, have avoided mergers. Their key choice will be between remaining mutual institutions or, as allowed under the 1986 Act, obtaining a stock market listing. In the latter case, they would *cease being building societies* and become banks.

When they look at the City takeover boom, many societies are loath to be subjected to the disciplines of the stock market—although they could not be taken over for five years after converting to banks. As *mutuals, they also benefit from* not having to pay out dividends and from an especially friendly image with the public. The main disadvantages are the restrictions of the 1986 Act from which they would escape by converting.

The newly flexible line from the Commission may therefore discourage some societies from converting, though a few societies with ambitious managements are likely to convert whatever the regulators do. Abbey, in particular, has argued that a stock market listing would enable it to issue shares for acquisitions, instead of having to find cash from reserves. Perhaps even more important, a society which converted could double or treble its capital overnight in much the same way that TSB did when it was floated.

But whatever route individual societies choose, building societies as a distinct species have little time to live. They will either merge, evolve into consumer banks, shed their mutual status or just disappear.

Lombard

Why the City pays too much

By Michael Prowse

BRITAIN'S top-paid City executive earns more than £2.5m a year, according to a survey published this week. I find it hard to believe that anybody is "worth" this sort of money. Libertarians, of course, will jump on this naive remark and demand to know what I mean by "worth." Nobody, runs the argument, is fit to play God and claim to assess the value of others. Salaries should be set by the free interplay of market forces.

If the supply of top executives is *low relative* to the demand, their pay will be bid up accordingly. Subjective judgments of individual worth are quite beside the point. Moreover, if you have some old-fashioned moral qualm about high pay, you should seek redistribution through the tax system rather than complain about the *remuneration policies* of privately-owned companies.

This sort of reply does not satisfy me. My instinct is to argue that if an economic system throws up demand and supply schedules that result in ludicrous salaries then that system must be badly flawed. I find it hard to believe that individuals' productivity varies quite as enormously as suggested by the variations in salaries. Is the marginal product of a merchant banker or stockbroker really up to 250 times higher than that of an average school teacher? If not, then why is the City executive paid so much more than his "true" marginal product?

Economics textbooks are packed with rationales for big pay differentials. None seem to me to be fully convincing justifications for the kind of discrepancies experienced in real life. One argument, for example, draws attention to the *non-pecuniary features of a job*. The idea is that high pay can in some circumstances be a form of compensation for disagreeable or unpleasant working conditions. How does this square up as an explanation of high City pay?

The answer is: rather poorly. It is difficult to convince a jovial stockbroker with a Lamborghini, Barbican penthouse flat and country estate in Oxfordshire that his high pay is a compensation for the unpleasantness of his working life. In practice, this factor operates in reverse: genuinely unpleasant jobs are often also very poorly paid. Hospital orderlies are not compensated for the drudgery of their daily lives.

This brings us to a second argument. Productivity is supposedly a function of the "human capital" a person has accumulated. Hospital orderlies, by and large, tend to be poorly educated: their marginal productivity is, therefore, much *lower than that of heart surgeons* with 15 years' training. This consideration far outweighs the fact that it is more fun to be a renowned surgeon. The human capital argument also stresses that people who train for many years eventually require high salaries in order to put them (in present value terms) on an equal footing with those who start earning at a much younger age.

Do human capital arguments account for high City pay? Hardly, because a long period of training is not necessary. City executives, who often have indifferent academic records, start earning huge salaries at a very early age. They have retired by the time the heart surgeon is reaching his peak.

So one has to fall back on the argument that extraordinarily high pay in the City reflects a shortage of the appropriate skills. But although a temporary period of excess demand *might well account for some of* the surge in earnings associated with the Big Bang, it cannot explain the long run buoyancy of financial sector pay. Stockbrokers in London and investment bankers on Wall Street have earned exceptional salaries for decades. According to market economics the differentials ought to have been worn away long ago by new entrants seeking super salaries.

The fact that this has not happened surely does not imply that financial folk are up to 250 times as productive as school teachers. It suggests that there is a chronic market failure. Financial markets cannot be properly competitive. If they were, firms could not afford to remunerate their employees so handsomely.

Letters to the Editor

By cable or satellite?

From Mr P. Orwel.

Sir, — Raymond Snoddy is right (Oct 5) to describe the cable authority's decision to endorse the development of multi-microwave distribution *systems as a* "policy turnaround". The interesting question is why the industry has taken so long to turn.

The Government's approach to cable television in the UK is instructive in how not to proceed. It set its heart on interactive services for which there is no market demand. It ruled out technologies such as MMDS which cannot deliver these services for which there is no demand. And it removed tax allowances which would have made the development of these new systems less unprofitable.

The only television services for which there is a demonstrable *market demand* are movies, sport, news and sex. A new distribution system therefore only needs four channels to get at its main sources of revenue. This is what makes MMDS so economically attractive and cable so redundant. This is also why MMDS took the cream off cable's markets in those US cities where the two technologies competed head-on in the early 1980s.

The real reason the cable television industry wants MMDS is to thwart the competitive threat from direct broadcasting by satellite. The industry has wasted the head start on DBS given it by the Government and now looks more like a wounded incumbent than an aggressive newcomer. And as rival technologies gain momentum the economic value of cable television looks scantier than ever.

Philip Orwell,
Strategic Technology Associates,
58 Parliament Hill NW3.

Unit trust charges

From Mr J. Berry

Sir,—Mr P. Potts (October 6) has correctly identified the totally unworkable proposal by the Securities and Investments Board for the pricing of unit trusts. One wonders just who would benefit from this particular aspect of its proposals.

Many of the others, however, deserve support from both the public and from *intermediaries*. Unit trust companies need have no fear of displaying their charges because they are eminently reasonable. In addition, everyone will benefit from the proposed publication of the basis on which a unit trust is valued, be it an offer or a bid price basis. *The behaviour of* some unit trust companies in late August highlighted the fact that some unit trusts are less open ended than others and a display of a trust's basis of valuation can only help to eliminate this.

Jamie A. J. Berry,
Berry Asset Management,
48 Brook Street, W1.

Tidal power

From Mr D. Bagshaw

Sir,—Mr Kidd (Oct 1) must be right to have doubts about the wisdom of drawing on the kinetic energy of the earth's rotation (which is non-renewable) for the generation of electricity.

I don't think, however, that the rate of slowing down the rotation by natural tidal friction can be anything like enough to have increased the length of the day by three seconds in the last two thousand years as this, even assuming the maximum possible extreme, would have *meant* a 1½ hour day (probably the shortest the day could ever have been) considerably less than 54m years ago, whereas the age of the earth is thought to be about 4,000m years.

Perhaps the scientists could calculate what is an "acceptable" additional increase in the length of the day by the widespread harnessing of the tides, over, say, the next 500m years (ie equal to the time elapsed since the early Cambrian era).

D. S. Bagshaw.
Alton Towers, Alton,
Stoke-on-Trent.

Making multiple applications

From Mr M. Varcoe-Cocks.

Sir,—Mr Best was convicted of attempting to obtain shares in British Telecom by deception. "Deception" is defined in the Theft Act 1968 as any deception (*whether deliberate or reckless*) by words or conduct as to fact or as to law, including a deception as to the present intentions of the persons using the deception or any other person.

In applying for BT shares, applicants were required to *state whether they wished to* have an entitlement to bonus shares or vouchers which could be used towards their telephone bills: in completing that part of the form applicants were indicating that they intended to keep the shares. I think that it is arguable that anyone who *made only one application for* BT shares with the intention of selling his allocation immediately at a premium—and the number of such applicants must have run into hundreds of thousands—were (are) as guilty as Mr Best of dishonestly obtaining property by deception.

Incidentally, it is plain nonsense to suggest, as you do in your editorial (October 6) that the advisers to the Eurotunnel issue have any power to decide whether or not multiple applicants could be prosecuted: nor would the Government have any such power with regard to privatisation issues. Whatever the promoters of an issue say, if multiple applications are restricted by the prospectus, such *applicants can be prosecuted by* the police and it would be up to the magistrates or Crown Court jury to decide on the facts whether an offence under the Theft Act had been committed.

A very interesting point of law would arise if an issue under which multiple applications were not permitted turned out to be undersubscribed. Could it possibly be said that a multiple applicant in such circumstances—he and all applicants would have received all the shares for which they had applied—could possibly be said to have obtained property dishonestly by deception?

Michael D. Varcoe-Cocks,
17a Nevern Mansions,
Warwick Road, SW5.

Twenty-twenty hindsight

From Mr H. Wynne-Griffith

Sir,—Barry Riley's articles are always worth reading, the October 3 "The Long View" on pension fund surpluses was no exception. I feel it necessary, however, to explain why such surpluses have arisen and, as an actuary, to defend my profession for not being prophets.

Actuaries use a "real" interest rate of anything from ½ per cent to 2 per cent (or maybe more) to place a value on the liabilities. However reasonable an assumpton may be used *for* that purpose—a much more significant assumption is the anticipated real growth in equity dividends in future. In my opinion, it is this assumption that has (and will continue?) to disclose surpluses.

Some years ago actuaries were setting assumptions against a background of "dividend restraint" (remember that?). *While that persisted for* a time, 20-20 hindsight now shows that its effect was not too dramatic in the longer term and indeed real growth in dividends is now so high that the negative growth of even a few years ago has been converted into positive growth.

This means that the actuary is now valuing a future flow of dividends which starts off at a much higher level than his earlier calculations had predicted the level would be at by now. This is the surplus. It has nothing to do with stock market values or with "real returns" (except to the extent that these are reflections of real dividend growth).

If the actuary now assumes the same rate of real dividend growth for the future that he assumed a few years ago then there is every chance that the surplus phenomenon will continue (given the current economic conditions prevail).

The only way to avoid that would be to capitalise those future surpluses by assuming a higher rate of dividend growth. Not all companies are prepared to assume that current conditions will continue because if the assumption proves to be invalid then the company will have to put more money into the pension fund—and then at a less favourable time.

If I were a prophet and not just an actuary then I would have no difficulty in persuading my clients to adopt a course that some are reluctant to follow at present.

H. R. Wynne-Griffith,
3, Dulwich Wood Avenue, SE19.

Conservation headlands

From Dr N. Sotherton

Sir—A weed is a plant in the wrong place, so they say. John Cherrington's article about weed-killing on the farm (Border warfare, October 3) did not examine the possibility that certain weeds in certain places may not represent a major farming problem, and yet many provide valuable habitat for wildlife. Our research has shown this to be the case.

From our findings we have developed the idea of "conservation headlands"—a technique of farm management which uses selective spraying of field *edges to provide a strip* containing harmless "weeds" and insects of enormous benefit to wildlife. John Cherrington is correct in saying that leaving field edges totally unsprayed is, in most cases, "an invitation to disaster." His mention of wild oats is a case in point—and yet there are *sprays* available to eradicate these while leaving other weeds of benefit to conservation. The key is to select sprays which kill only those weeds and insects of severe detriment to farming. This is precisely what scientists on our research project are now doing.

(Dr) Nicolas W. Sotherton,
(Head, Cereals and Gamebirds Research Project)
Game Conservancy Trust,
Fordingbridge, Hants.

FINANCIAL TIMES

Friday October 9 1987

Business community welcomes appointment of new premier, writes **Francis Ghiles in Tunis**

Tunisia calls in the crisis breaker

THE TUNISIAN business community greeted with an audible sigh of relief the appointment last Friday of General Zine El Abidine Ben Ali as Prime Minister in place of Mr Rashid Sfar.

Mr Ben Ali is Tunisia's first Prime Minister since independence to hail from the military and has already been called upon twice by Mr Habib Bourguiba, the 87-year-old head of state, to take a grip of the country and re-establish law and order.

The first time was as security chief after the riots of January 1978. The second was six years later after the bread riots of January 1984. He has now been called a third time in a more exalted post.

Thirty years after it gained independence from France, Tunisia has this year faced an unprecedented wave of anti-government demonstrations and the bombing of four hotels last summer by radical Islamic activists.

Coupled with the need to push through radical reforms aimed at liberalising the economy and cutting government investment in industry and the growing uncertainty of an ageing leader who is increasingly out of touch with the needs of his people, the new Prime Minister has his work cut out.

Mr Ben Ali is credited with a decisiveness and sense of authority that has been tested most recently in the severe crackdown on Islamic activists which culminated in the mass trial of last month and the two hangings of yesterday.

The business community is hoping he will help rebuild their confidence after a traumatic 21 months during which a major campaign against corrupt practices, launched by the head of state, has claimed many victims among their ranks. Not all those brought to court or forced to flee the country were guilty.

The closing down in 1986 of a very successful Tunisian international engineering consultancy company, Sotubetec, headed by Mr Moncef Traia, has left a bitter legacy of distrust.

Tunisian industrialists are also having to face the consequences of the policy of austerity and liberalisation which Mr Ismail Khelil, the astute and self-effacing Minister of Finance, launched last year with the strong backing of the IMF, the World Bank and Tunisia's Western friends.

Habib Bourguiba

TUNISIA: KEY STATISTICS

	1987	1986	1985	1984
Population, m	7.50	7.26	7.26	7.03
GDP, bn dinar, 1981 prices*	4.512†	4.278	4.348	4.115
Balance of trade on current account, m dinar	300†	560	491	680
Trade balance, m dinar	780†	899	844	1,112
Inflation, %	0.5‡	5.8	8.0	8.4

*Source: Banque Centrale de Tunisie; †projection; ‡first 4 months

The collapse in domestic demand, the need to turn companies fed on a comfortable diet of import substitution into animals with a hunger for exporting is just starting, and the pain already shows.

Private investors are being called upon to make an unprecedented effort because the state will be investing less in real terms in the 1987/1992 economic development plan than in the previous one; that is, only 10.4bn Tunisian dinars ($12.5bn).

Mr Sfar, the former Prime Minister, was not trusted by local businessmen. A late convert to Mr Khelil's policies, he prefers to lecture entrepreneurs against excessive profits, as befitting a former tax inspector, rather than understand the difficulties they face. His hectoring style did not go down well and a majority of Tunisians with cash to spare have played for time rather than invest. Such a situation could, in the medium-term, spell disaster for the policies of liberalisation so ardently preached by the Minister of Planning.

Unlike most of the political class in Tunis, Mr Ben Ali is a discreet man, not given to verbose public statements. He has never received a foreign journalist, in sharp contrast to his three predecessors.

The new Prime Minister has yet to be tested in the economic field where he faces a tough challenge. Tunisia may be meeting most of the targets set out in the standby agreements signed with the IMF last autumn, but the task of rationalising investments made by the state has yet to be tackled.

Too many prestige projects, be they in the President's home town of Monastir or elsewhere, are hard to justify by any rational economic criteria. These projects are not only expensive in local currency but their cost in foreign currency weighs heavily at a time when many vital spare parts are missing because of cuts in imports.

The management of many state companies remains mediocre. The Societe Hoteliere de Touristique de Tunisie (SHTT) and the textile company Sogitex are the only state companies in their respective areas of activity and the only ones to lose money.

Privatising state companies with a bloated workforce and management methods which are often inefficient and bureaucratic will be a long haul but businessmen argue that an early start is essential if the better educated and more enterprising among them are to be given a chance to build up their companies and successfully face the challenge of increasing their country's exports.

The new Prime Minister benefits from the large consensus which exists amongst 7.5m Tunisians against the excesses of militant Islamic groups and their relative lack of widespread penetration and from a growth in Gross Domestic Product which could exceed 6 per cent this year.

The four-year tenure of Mr Khelil at the Ministry of Planning has ensured much-needed stability over a period when two prime ministers have been dismissed and when the head of state divorced his second wife.

Fundamental changes to attract foreign investment and in the way certain economic ministries are managed is still necessary. When and how such changes are brought about will tell how firmly the new Prime Minister intends to grasp the difficult nettle of economic reform.

Fundamentalists hanged, Page 4

US-Canada trade pact will lift barriers to investors

By Lionel Barber in Washington

CANADA has agreed to lift substantial barriers to American banks and investors as a result of the outline US-Canada trade pact, senior US Treasury officials said yesterday.

The officials said the agreement to liberalise the two countries' financial sector was a crucial part of the broader deal on merchandise trade, setting a model for future trade negotiations such as the new Gatt round.

The US Treasury briefing for reporters in Washington yesterday signalled the start of an official sales pitch for the agreement, which must be submitted for Congressional approval by January 3 next year. Congress has a further 90 days to vote on the pact.

If the deal goes ahead, from January 1 1989 US banks will have no restrictions on the growth of their assets and loans, their capital base and their ability to increase their number of branches over the border.

"Our banks will be able to grow unhindered in the Canadian market," one US negotiator said, while rejecting suggestions that this aspect of the pact was too favourable to the US. "Viewed as a whole, it is beneficial for both sides."

Similarly, a US investment and financial services business such as American Express will be able to wholly own insurance businesses or trusts, eliminating the current Federal Canadian limit to stakes between 10 per cent and 25 per cent.

Canadian "screening" of US acquisitions will remain in place for other sectors of the Canadian economy such as manufacturing. But it will be confined to investments in companies with assets of $150m rather than the current $5m level (which protects some 7,500 companies). Between 400 and 500 businesses would be eligible for screening.

The liberalisation on US investment will not, however, apply to book publishing, film and other cultural areas in Canada.

US officials conceded that they had not been able to resolve completely the thorny question of "national treatment": that Canadian and US companies are treated the same way in their respective countries. As a result, both sides have agreed to set up a disputes panel - which the US would have preferred to avoid.

Diversified Canadian investment banks buying US securities businesses will, however, receive some exemption in future from the Glass-Steagal Act.

"The problem was that Canadian mergers up north were requiring divestiture down south," a Treasury official explained.

Because most of the US subsidiaries business was in debt obligations of the Canadian Government, the US has agreed to permit domestic and foreign banks to engage in backing such official securities.

THE LEX COLUMN

Standing ovation for the economy

The City was expecting the Chancellor to deliver an upbeat message to the Party faithful, and he did not disappoint. The familiar comments about the economy being in better shape than ever before, and growing faster than the rest of the world, were trotted out with much fanfare, and while his message was not aimed at the financial markets, it helped reinforce the current confident mood about sterling and UK equity prices. The fact that a 4 per cent growth rate in 1987 is unsustainable in the years ahead, and only underlines the fact that the economy is gripped in a good old fashioned consumer boom, has all sorts of worrying implications for the financial markets; but for the moment, they seem anxious to share in the Chancellor's optimism.

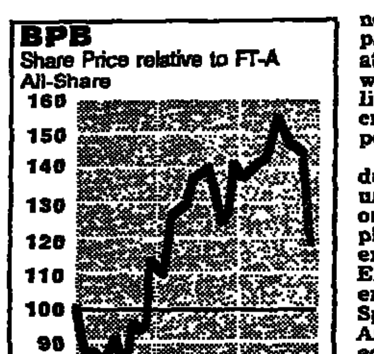
This confidence is not peculiar to the UK. The Japanese stock market, shrugging off the recent rise in worldwide interest rates, soared to a new peak yesterday. The London market is now less than 3 per cent below its July peak, and UK institutional cash flow has been temporarily bolstered by an estimated £5bn of largely cash takeover bids now sitting on the table. But this is relatively small beer when compared with the £23bn of rights issues and privatisation issues which brokers Wood Mackenzie estimate will have been raised by the end of this year. The market needs to believe the Chancellor's optimism if it is to maintain its momentum.

BP sale

The public's last registrations for the BP offer are now trickling in, with the total by tonight's close headed for a touch above 5.5m. It is now up to the institutions to establish the tone in the final run-up to next Thursday's price announcement, and it does not seem to be going all the Treasury's way.

The hyping of the BP share price in recent months has if anything been too successful. On the argument that the oil majors are best valued on a yield basis, it is a little odd to see BP on a lower prospective yield than Shell (on prices of 367p and 1348p respectively, and forecast dividends of 12.5p and 48p).

The argument is pressed by brokers Greenwell Montagu to give a notional price at which the institutions should tender.



Taking the Shell yield as a ceiling - beyond which Shell should be bought instead - yesterday's Shell price would translate into a maximum price for BP fully paid of 350p. Adding in around 30p for the notional interest on the second and third instalments gives a total value of 380p, leaving room to tender at only up to 13p above the current price.

One need not fully accept this approach to sympathise with its drift. BP may be fully valued on its own account, given the recovery in the crude price and fierce competition in its downstream markets. To the extent that institutions are hanging on now for their rights entitlement, there could even be cheaper opportunities in the after-market.

BPB

If round one of the great plasterboard punch-up went to the challenger Redland, round two has been won by the champion, BPB Industries. Last month when Redland announced its joint venture with CSR to make plasterboard in the UK it knocked down both BPB's share price and its own. But while its price has recovered since, BPB's has been drooping. BPB's news yesterday of a £150m investment programme (partly overseas) demonstrated its commitment to any doubters and its shares gained 5p to 340p. Redland's slipped 2p to 527p.

The threat from Redland is a serious one given BPB's 96 per cent market share in the UK. If Redland were to capture 30 per cent of the market by 1995, as it hopes, then it would probably have absorbed most of the likely growth in the market between now and then. BPB's own expansion plans alone would create sufficient capacity to cope with demand. There would be little chance of getting price increases through in such a competitive environment.

BPB's response - to cut its production costs and so be ready to uncercut Redland - is a wise one. Using the CEGB's desulphogypsum from the Drax power station for its Sherburn-in-Elmet plant must be far cheaper than importing gypsum from Spain as Redland will be doing. And BPB's remark about the economics of indigenous as opposed to imported rock is particularly pointed. BPB can easily fund the investment, and its belief that the rate of return achieved should be in line with its usual 20 per cent plus is probably not bravado. With UK plasterboard making under 40 per cent of group profits anyway, a prospective p/e of under 12½ is an over-reaction.

US Acquisitions

After the £15bn binge of US acquisitions in the first nine months of this year, Hoare Govett estimates that 18 per cent of the pre-tax profits of UK plc now come from US subsidiaries. UK fund managers might wonder why they are diversifying their portfolios across the Atlantic at all. Alternatively, as the 1987 aggregate purchase price of 30 times historic earnings looks dangerously high, particularly for an economy edging towards recession, they may be better advised to divest the less experienced trans-Atlantic acquirors. Hoare Govett is especially worried about the recent retail acquisitions given the dominance of the leading players in almost all US retail sectors. Being second or third is even less fun in a recession.

Despite the fact that the US acquisitions represent an incredible 60 per cent of net annual fixed capital formation (now estimated at £25bn) the UK plc balance sheet is evidently strong enough to take them in its stride. Thanks to £5bn from the equity market for the US buying, capital gearing is only going to creep up towards double figures, and a further £50bn of debt could be accommodated before reaching 1982 levels. This still largely depends, though, on cash flow back home in the UK; and though earnings growth for 1987 could still range as high as 15 per cent, prospects are less good for 1988.

Sir Jack Lyons to face Guinness charges

BY NICK BUNKER AND CLIVE WOLMAN IN LONDON

SIR JACK LYONS, the 71-year-old millionaire, will appear at London's Bow Street magistrates court today to face charges of stealing more than £3.25m ($5.3m) from Guinness, the UK drinks group, during its takeover bid last year for the Distillers drinks company.

Scotland Yard detectives swooped yesterday on Sir Jack's home in Campden Hill Road, North Kensington, London. It comes less than a week after Mr Tony Parnes was seized by federal agents in Los Angeles for alleged false accounting in connection with Guinness.

Sir Jack was charged on nine counts yesterday and was later released on bail.

The charges relate to the role played by Sir Jack in the Guinness affair involving a massive covert operation in which former Guinness executives and their advisers engineered the illicit buying of the company's shares to inflate the share price during the £2.5bn Distillers bid.

The charges against Sir Jack include two separate allegations that he stole sums of £254,000 and £3m from Guinness.

He is also charged with two offences of false accounting in relation to Zentralsparkasse und Kommerzialsbank, a Vienna bank, and Konsultat, a Swiss company. Two further charges allege that he executed valuable securities relating to Zentralsparkasse, and to the payment of £3m to Pictet et Cie, a Geneva bank. Another charge alleges that he used a false instrument in relation to Zentralsparkasse. Finally, he is charged with aiding and abetting the giving of an indemnity to purchase shares.

The £254,000 payment, which Sir Jack is charged with stealing, was paid into an account at Zentralsparkasse in June 1986. The details of the payment came to light in January, following the dismissal of Mr Ernest Saunders as Guinness chief executive, as one of a series of mysterious payments made by Guinness. Another mystery payment was of £3m to Konsultat, which was made via Pictet et Cie. Sir Jack subsequently admitted he had received at least part of the payment to Konsultat.

He said the £3m payment was for services to Guinness during the takeover battle, in particular his efforts at lobbying to avoid a referral of the bid to the Monopolies and Mergers Commission.

However, Zentralsparkasse never disclosed whether either Sir Jack or any other of its customers were the beneficial owners of the account into which the £254,000 was paid. At first Zentralsparkasse protested its innocence about the payment. But in March it returned the money with interest to Guinness saying the bank had been misled by third parties over the payment. It admitted it had been in the wrong to receive the money.

The charge against Sir Jack, who resigned in January as the UK adviser to Bain & Co, the American management consultancy, is that of aiding and abetting the giving of an indemnity to purchase shares.

But Mr Gerald Ronson, head of the Heron Corporation, of the UK, has already admitted to being paid a fee of £5.8m by Guinness in return for buying Guinness shares during the takeover

Abbey leads expansion of UK mortgage lenders in Europe

BY HUGO DIXON IN LONDON

ABBEY NATIONAL, the UK's second-largest building society, is to start making home loans to Spaniards from next year as the first step of a foray into Europe's financial services markets.

It is the first society to take advantage of powers in last year's Building Societies Act which will allow societies to lend money to individuals in other EC countries from the beginning of next year.

Over the next couple of years, Abbey plans to extend the provision of home loans to France and Italy. Next month, it will also announce a financial services venture in Gibraltar to service the expatriate market there. It already has an offshore mortgage business in Jersey.

Abbey's venture in Spain will be a specialist mortgage company directed at the local population. The society is to invest about £1m ($1.64m) for a majority stake in the company, which is to be called Abbeycor Nacional Hipotecario. Minority stakes will be held by CorGroup, a Spanish money and stockbroking group, and Winterthur, a Swiss insurance company.

Mr Richard Baglin, Abbey's general manager for business development, said Spain was a prime target because of rising incomes, a deregulating economy and an underdeveloped financial system. "The quality of service provided by existing players is some long way behind that provided in the UK," he claimed.

Abbey will operate in Spain in much the same way as specialist mortgage lenders, such as Mortgage Corporation, operate in the UK.

It will have a small central office in Madrid and market its products through Winterthur's 40 branches throughout Spain.

Funds will initially be raised on Spain's wholesale financial markets using CorGroup's expertise, although at a later date Abbey plans to raise money from small investors as well.

Mr Baglin expects to lend £10m-£25m in the first year and more in subsequent years. He said Abbey would be able to undercut Spanish competitors because it would have a lower cost structure.

Abbey will be aiming at the Spanish equivalent of the Yuppie - young people wanting to leave their family to set up their own home. It will also be pioneering endowment mortgages in association with Winterthur.

Abbey has decided not to wait until 1992 when all the barriers restricting the provision of financial services across national frontiers in the EC are to be abolished. "Our view is we should move faster than that," said Mr Baglin.

Accountants' plan to seek outside capital at risk

BY RICHARD WATERS IN LONDON

PLANS BY some of Britain's top accountancy firms to seek outside capital to fund expansion have been placed in jeopardy.

In a suprise vote, the Institute of Chartered Accountants in England and Wales, Britain's largest accountancy body, has decided to oppose a proposed change in the law to allow accountancy firms to sell their shares to outsiders.

Ministers at the Department of Trade and Industry had planned to approve the change, which would allow outsiders to own up to 49 per cent of accountancy firms, this month.

The vote threatens an unprecedented split between members of the Institute, with senior partners of the country's largest firms outspoken in their attack on the Institute's move.

"This is a narrow-minded attempt to protect the priveleges of the profession," said Mr Don Hanson, managing partner of Arthur Andersen. "We're trying to drag our profession into modern times. We'll never get anything changed like this."

His views were echoed by Mr Elwyn Eilledge, senior partner of Ernst & Whinney, who said of the Institute's vote: "It's really to be deplored."

Large firms, which have developed into wide-ranging financial services outfits in recent years, stand to lose most if outside shareholders are banned.

The Institute's governing council, which voted down the change, was "nervous" that allowing in outsiders would threaten the independence of auditors, said Mr Jock Worsley, the Institute's vice president, yesterday.

But accounting firms claim that it is possible to limit the influence of outside shareholders. The Independent Broadcasting Authority, for instance, can control shareholdings in broadcasting firms, said Mr Blackburn. "There are a lot of precendents about concerns of independece outside the auditing profession," he said.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	23	73	Dubrovnik	C	20	68	Malta	F	25	77	Rhodes	S	23	73
Algiers	S	26	79	Edinburgh	C	10	50	Manchester	R	10	50	Rio de J'o	C	29	84
Amsterdam	F	13	55	Faro	F	21	70	Manila	S	31	88	Rome	C	23	73
Athens	S	23	73	Florence	C	18	64	Melbourne	C	17	63	Salzburg	F	18	64
Bahrain	S	37	99	Frankfurt	F	13	55	Mexico City	S	22	72	San Francisco	R	19	66
Bangkok	S	33	91	Funchal	F	24	75	Miami	C	28	82	Seoul	S	23	73
Barcelona	F	26	79	Geneva	F	16	61	Milan	C	17	63	Singapore	F	31	88
Beirut	C	23	73	Gibraltar	F	21	70	Montreal	C	19	66	Stockholm	F	13	55
Belfast	C	8	46	Glasgow	F	10	50	Moscow	S	12	54	Strasbourg	F	13	55
Belgrade	C	16	61	Guernsey	F	12	54	Munich	F	15	59	Sydney	F	18	64
Berlin	R	16	61	Helsinki	C	10	50	Nairobi	F	27	81	Taipei	S	30	86
Biarritz	C	17	63	H. Kong	F	29	84	Naples	F	22	72	Tangier	C	23	73
Bombay	F	32	90	Innsbruck	F	18	64	Nassau	S	30	86	Tel Aviv	S	26	79
Bordeaux	C	14	57	Inverness	R	8	46	New Delhi	S	31	88	Tenerife	D	24	75
Brussels	R	11	52	Islamabad	S	32	90	New York	S	20	68	Tokyo	S	26	79
Budapest	S	21	70	Istanbul	S	20	68	Nice	S	21	70	Toronto	S	9	48
B. Aires	S	20	68	Jakarta	S	34	93	Nicosia	C	27	81	Tunis	F	28	82
Cairo	S	28	82	Jersey	F	15	59	Oporto	F	18	64	Valencia	S	27	81
Cape Town	F	22	72	Jo'burg	S	25	77	Oslo	R	11	52	Venice	C	17	63
Caracas	C	30	86	Lima	R	21	70	Paris	C	12	54	Vienna	F	22	72
Casablanca	-	-	-	Lisbon	F	20	68	Peking	-	-	-	Warsaw	S	19	66
Chicago	S	9	48	London	C	12	54	Prague	F	14	57	Washington	-	-	-
Cologne	F	13	55	Los Angeles	C	26	79	Reykjavik	F	-1	30	Zurich	C	12	54
Copenhagen	R	13	55	Luxembourg	R	8	46								
Corfu	R	22	72	Madrid	S	22	72								
Delhi	-	-	-	Majorca	S	26	79								
Dublin	F	10	50	Malaga	S	23	73								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

India gets tough with Tamils

BY K. K. SHARMA IN NEW DELHI AND ROBIN PAULEY IN LONDON

INDIA finally lost patience with the Tamil Tigers in Sri Lanka yesterday and ordered its peace-keeping troops to shoot armed guerrillas on sight following violence in which at least 181 people have been killed in three days.

The peace-keeping force, estimated to be at least 12,000-strong, was sent to the predominantly Tamil north and east of the island following the peace accord signed in July by President Junius Jayawardene of Sri Lanka and Mr Rajiv Gandhi, Prime Minister of India.

President Jayawardene has cancelled his plans to attend next week's meeting of Commonwealth Heads of Government in Vancouver because of the violence. He was due to discuss the crisis with Mr Gandhi during two meetings. Mr Gandhi will attend the meeting where he is expected to be a key figure in the talks about the crisis in Fiji.

The initial role of India's peace-keeping forces was partly to guarantee the safety of Sri Lanka's minority Tamils in the transition of the northern and eastern provinces into a single merged semi-autonomous province. But many Tamil guerrillas have refused to surrender arms and are fighting for a fully-independent homeland.

The violence subsided slightly after India's decision to get tough, although at least 21 more people were killed yesterday including two senior government officers.

The Indian soldiers will now "use all the force at their command to maintain peace in the northern and eastern provinces," an Indian Government spokesman said. Mr K C Pant, Indian Defence Minister, will visit Colombo today

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday October 9 1987

Liggett returns to market for $48m

By James Buchan in New York

LIGGETT, the US tobacco company bought out from Grand Metropolitan of the UK last year, returned to the stock market yesterday with a $48m public offering that looked set to provide handsome gains for the investors who financed the $148.3m buy-out.

The offering of 4m of Liggett's 24m shares was priced at $12 a share, after the company's target of $13-$15 a share apparently proved too demanding for the market.

But the relatively successful offering for the smallest of the big six US tobacco companies shows how recent court rulings favourable to the industry have returned tobacco stocks to modest Wall Street favour.

The offering, underwritten by Drexel Burnham Lambert, provides a 10-fold return to the investors, led by Mr Bennett Le Bow of New York and various Drexel Burnham executives, who put up $14m in equity last October.

At $12 a share, their 20m-shareholding is worth $240m. In contrast, GrandMet took away only $137m in cash last year.

Liggett, which is based in Durham, North Carolina and makes such brands as L & M and Chesterfield, reported sales revenues of $552m in its year to September 1986, with operating profits of $32.2m.

GrandMet bought the tobacco operations as part of a larger group for $570m in 1980 but became disenchanted with the fierce price war Liggett had to fight for market share in unbranded cigarettes.

In August, Liggett scored a notable victory when a federal appeals court in Boston rejected claims that the company had failed to warn consumers of the dangers of smoking its cigarettes.

The ruling was one of several to relieve Wall Street's fears of heavy product-liability damages against the industry.

Harcourt finds buyers for peripheral offshoots

BY ANATOLE KALETSKY IN NEW YORK

HARCOURT BRACE Jovanovich, the large US publishing group which mounted what some critics have described as a "scorched earth" defence against a takeover bid in May from Britain's Mr Robert Maxwell, said yesterday that it had identified firm buyers for several of its peripheral businesses.

The asset sales should raise over $400m, which will be used to service the $2.5bn debt burden that HBJ took on in its efforts to "maximise shareholder values" and thereby thwart Mr Maxwell's bid.

At the company's annual meeting in Orlando, Mr Robert Edgell, the HBJ vice president who has been put in charge of asset disposals, said cash could be received by the end of November from the disposal of HBJ Publications, Beckley-Cardy, History Book Club and Instructor Publications divisions.

The first two of these businesses are, respectively, the biggest business and professional magazine group in the US and the country's leading distributor of school supplies and equipment.

Both were being acquired by a single buyer for a sum between $350m and $400m, according to Mr Edgell, who declined to name the buyer or to reveal the prices fetched by the other two businesses.

History Book Club is a relatively small business which HBJ bought in 1972 and has been operating since then as a "stand alone" unit.

Instructor Publications produces magazines and teaching aids directed at the elementary school market. Once these four companies are sold, some $100m to $150m worth of undeveloped land in Florida and Texas will remain as the only major asset identified by HBJ for early disposal.

In order to service its debts without selling any of its core operations in publishing, insurance and theme parks, HBJ hopes to make big economies in staffing and other expenses during the coming years.

Mr William Jovanovich, the company's chairman, said yesterday that HBJ had already cut 8 per cent off its part-time staff and 5 per cent off its full-time employment. He predicted that cash flow would "certainly be sufficient" to cover debt servicing in 1987, 1988 and 1989.

He declined to make projections for the years further ahead when payments of certain deferred-interest bonds start to come due. He stressed, however, that his refusal to make projections did not mean that the company would not be capable of servicing its debts beyond 1989.

GE raises income despite slow sales

By Our New York Staff

GENERAL ELECTRIC, the big US consumer and industrial products group, has reported a 16 per cent increase in earnings for the third quarter to $763m, in spite of weak growth in revenues.

The earnings improvement was achieved across a broad front of the group's businesses. Mr Jack Welch, GE chairman, said: "Continued strong earnings growth through the third quarter tracks with our outlook for an excellent year 1987."

The group reported third-quarter earnings per share of 77 cents, against 66 cents in last year's September quarter. Sales rose by 1 per cent to $9.4bn, from $9.28bn last year.

However, the 1986 figures included revenues from certain businesses bought with the RCA broadcasting group last year and since sold. Underlying sales growth was 5 per cent.

Mr Welch singled out GE's aircraft engines, plastics and medical systems as showing good growth in sales and earnings.

In addition, GE Credit Corporation and Employers Reinsurance, divisions of GE's financial services subsidiary, put in "excellent" performances.

"Earnings in most other key businesses were better on improved profit margins, reflecting the comprehensive productivity programmes we have been implementing," he said.

However, revenues were sluggish or down in the power systems, consumer products, aerospace and industrial divisions.

In major appliances, GE said revenues were ahead, but restructuring costs had caused a decline in operating profits.

Nine-months earnings were $2.05bn – or $2.24 a share – up 16 per cent, on sales of $27.28bn, up 19 per cent.

Home Shopping results in line with expectations

BY OUR NEW YORK STAFF

HOME SHOPPING Network, the controversial phone-in retailer whose stock is under intense pressure from speculators, has weathered a crisis by announcing fourth-quarter results in line with expectations.

Home Shopping, which is the target of the biggest short-selling play for years on Wall Street, reported earnings of $3.3m, or 4 cents a share, down from $5.6m, or 7 cents a share, in the 1986 August quarter.

The results gave no encouragement to the legions of speculators who have sold short no less than a *quarter of the publicly traded stock* in Home Shopping, a pioneer in selling cheap goods through phone-in television shows.

A short seller promises to deliver a stock he does not yet own in the expectation that its price will fall and he can buy it more cheaply in time for delivery.

Home Shopping has complained that it is the victim of a campaign of rumour and innuendo from shorts seeking to drive down its price.

Earlier this year, Home Shopping outwitted the shorts by announcing plans for acquisitions that sent its stock price soaring to $47. But when the acquisitions failed to materialise, Home Shoppings's stock collapsed.

In an unusual step last week, the stock exchange reminded the short sellers of their obligation eventually to deliver Home Shopping stock.

The company recently filed a $1.5bn suit against GTE, the telecommunications group, claiming that poor equipment and service was responsible for lost sales.

After growing rapidly from round-the-clock shows selling cheap jewellery and household appliances, the Florida company is now seeing its sales stagnate. Revenues were $159.9m in the August quarter, up threefold from $53.4m in the same period in 1986, but almost unchanged from the $153.5m in the third quarter.

Earnings for the year were $29.5m, or 33 cents a share, as against $17m, or 22 cents, last year. Sales revenues for the year were $582m, a large increase from last year's $160.2m but just half the $1bn predicted for the company earlier this year.

The company has apparently plunged into loss at the operating level. The $4.4bn extraordinary gain was due to the purchase of assets and cable subscribers by a Canadian subsidiary.

Electrolux to buy US dishwasher maker

BY SARA WEBB IN STOCKHOLM

ELECTROLUX of Sweden, the world's leading manufacturer of household appliances, said yesterday it had reached a preliminary agreement to acquire the dishwasher manufacturing unit of Design & Manufacturing Corporation, a privately owned US company based in Indiana.

D & M manufactures private-label dishwashers and machine tools. It is the main supplier of dishwashers to Sears Roebuck and used to supply the Electrolux subsidiary Tappan a few years ago until Electrolux decided to build up its own manufacturing side.

The D & M dishwasher unit will be taken over by Electrolux's US subsidiary, White Consolidated Industries. "It will be a good fit as White is weak in dishwashers in the US," said Mr Anders Scharp, Electrolux's president and chief executive.

White Consolidated has a 7 per cent share of the US dishwasher market, but Mr Scharp estimated the market share would be close to 25 per cent after the D & M deal.

The D & M dishwasher unit broke even on annual sales of $140m and employs a staff of 1,250. Electrolux said it expected the unit in future to supply White Consolidated as well as its existing range of customers.

Electrolux would not reveal the financial terms of the agreement and said a number of principles still needed to be discussed.

Imperial Oil buys Sulpetro for C$680m

By Robert Gibbens in Montreal

IMPERIAL OIL, which is controlled by Exxon, Canada's largest oil company, will become Canada's seventh-largest gas producer with its acquisition for C$680m (US$521m) of the troubled Sulpetro, of Calgary, Alberta.

Sulpetro, once a fast-expanding oil and gas exploration and development group led by Mr Gus van Wielengen, was caught by cash flow problems when oil prices collapsed at the end of 1985. It had assumed several hundred million dollars of debt in 1981 to buy CanDel Oil.

Sulpetro, at the end of 1986, valued its assets at C$364m, compared with C$694m a year earlier.

In June, Sulpetro was forced into receivership by its main secured creditor, the Royal Bank of Canada.

De Benedetti links with French broker

BY ALAN FRIEDMAN IN MILAN

THE DE BENEDETTI group is to enter the insurance broking market in France by way of a partnership with Société Intercontinentale d'Assurances pour le Commerce et l'Industrie (SIACI), a leading French brokerage house effectively controlled by the Rothschild group.

A new insurance broking company – Interbrokers France – is being formed, with 80 per cent of the shares to be held jointly by Cerus, Mr Carlo De Benedetti's Paris holding vehicle, and Interbrokers-Isefi, a Milan insurance brokerage unit of Cofide, the master De Benedetti company in Italy.

SIACI, which has among its shareholders the Rothschilds as well as Britain's Cayzer Steel Bowater, is expected to hold 20 per cent of the new company.

SIACI itself is being brought to the Paris bourse later this month, and it was learned yesterday that talks are under way on a possible shareholding swap between SIACI and Interbrokers-Isefi in Milan.

● GFT, one of Italy's largest clothing manufacturers, yesterday revealed a L16.7bn ($12.7m) net profit for the first half of 1987. The profit was struck on first-half turnover which, at L480bn, was 10 per cent up on the equivalent period last year. GFT, which is based in Turin and employs 7,700, last year reported a consolidated group turnover of L986bn.

Ivanhoe cites SEC support over Newmont

IVANHOE PARTNERS said the Securities and Exchange Commission (SEC) had filed a brief supporting Ivanhoe's position in Newmont Mining's attempt to block Ivanhoe's offer for Newmont stock, Reuter reports from Amarillo, Texas.

Ivanhoe said the SEC filed an *amicus curiae* brief with the US Court of Appeals for the ninth circuit supporting Ivanhoe's position that federal securities laws do not require a tender offerer to have firm financing commitments in place before it starts a tender offer.

Ivanhoe said the SEC brief was filed in connection with Newmont's appeal against a September 25 decision by the federal district court in Nevada rejecting Newmont's contention that definitive financing arrangements are required before a tender offer.

INTL. COMPANIES & FINANCE

Financial Post takes ad battle daily

David Owen on the problems facing the Canadian business press

LAST WEEK'S long-expected announcement that the Financial Post, Maclean Hunter's 80-year-old Canadian business weekly, is to launch a daily edition has set the stage for the biggest battle for advertising dollars in Toronto and other domestic financial centres since the bottom fell out of the market in 1982.

Under the terms of the deal, Toronto Sun Publishing - a 57.3 per cent owned subsidiary of Maclean Hunter - has agreed to acquire the Financial Post division for C$46m (US$35.2m) in Toronto Sun shares. TSP publishes daily tabloid newspapers in Toronto, Calgary and Edmonton. It received high praise for its handling of the launch of its flagship, the Toronto Sun, into what many considered to be a saturated market in November 1971.

The backdrop to the impending battle could hardly be more different from the straitened circumstances of 1982. Advertising sales in Canada are booming. The 144-year old Globe & Mail - among the jewels of the Thomson empire - is enjoying an "incredible" year and the Financial Post itself benefiting from higher advertising lineage and revenues, despite declining market share.

Nevertheless, Toronto is not exactly a neglected market in terms of daily newspapers. Unlike many other big cities where competition has become fairly limited, particularly since the closures of the Ottawa Journal and Winnipeg Tribune in 1980, Toronto is served by three locally-based general interest dailies: the Globe & Mail (billed these days as "Canada's national newspaper"), the Sun and the Toronto Star.

Mr Neville Nankivell, the Financial Post's publisher, stresses that the new daily product will be a national paper, although Toronto is where "the full thrust on distribution," including a possible home and office delivery service, will be felt. "We're going to be the Wall Street Journal of Canada in tabloid," Mr Douglas Creighton, TSP's president, recently proclaimed.

Plans are for about half of the editorial content of the minimum 48-page daily to consist of stock market tables and other financial information. The cover price will be 25 or 50 cents. The product, which will be Canada's first daily newspaper devoted entirely to business, is expected to hit the streets early next year. According to Mr Creighton, initial circulation will be approximately 80,000.

The projected cost of the launch is being kept, for the moment, under wraps. However, an earlier Maclean Hunter plan to produce a daily Financial Post on its own is believed to have budgeted for an estimated cost of C$20m to C$30m. The original weekly paper will continue to be published.

"It will be the same kind of relationship that the (British) Sunday Telegraph has with the Daily Telegraph," says Mr Nankivell in what some might interpret as a Freudian slip. Mr Conrad Black, the Canadian proprietor of the Daily Telegraph, is rumoured to have been highly supportive of the new venture and is seen in some circles as a possible future partner.

The Financial Post and TSP have had links since 1976, when TSP began printing the weekly. Maclean Hunter bought into the Sun in 1982. TSP recently sold the struggling Houston Post at a profit of C$45m, a deal which, observers feel, may have influenced the timing of last week's developments.

In the absence of a specialised business daily in Canada, the Globe & Mail has been cashing in famously through its expansive Report on Business (ROB) section, described by Mr Michael Soliman, director of marketing and corporate development, as "the major driving force" of the newspaper.

By dint of its broad scope, the lack of competition and its copious resort to authoritative news agency material, the ROB has won a broad following and a 58 per cent share of the overall business advertising market, according to Mr Soliman. The section now accounts for 28 per cent of the Globe & Mail's total advertising revenues.

Local opinion seems to be that the ROB's largely unfocused and sometimes lacklustre approach is vulnerable to a strong competitor with deep pockets. But the competitive threat could hardly have come at a better time from the Globe & Mail's point of view.

"We are having the best year in the history of the Globe & Mail," says Mr Soliman. Advertising linage is up some 12 per cent from a year ago and September circulation reached 341,000, an increase of some 20,000 copies over the 1986 average. With an international stable of 70 newspapers and 195 magazines, the Thomson organisation appears well positioned to withstand a challenge.

Yet the strength of the advertising market will also stand the new Financial Post in good stead. "It's a bigger pie," says Mr Nankivell, "That's why we are launching. We think we are going into a niche that is not truly filled at the moment."

NTT warning to brokers

BY OUR FINANCIAL STAFF

THE JAPANESE Ministry of Finance has moved to cool the ardour of securities houses in promoting subscriptions by small private investors in the second tranche of shares in Nippon Telegraph and Telephone (NTT) next month, advance reservations for which officially start today.

It sent a letter to some 250 broking firms advising them to avoid stirring buying "fever" prior to the release of 1.95m new shares in NTT, the telecommunications utility which is the world's largest quoted company.

The Securities Dealers Association of Japan said yesterday that members had just received a MoF document confirming the ministry's plans for the offering. It also indirectly urged the firms to avoid rapid price increases in NTT ahead of the issue.

NTT, listed on the Tokyo Stock Exchange last February, rose Y40,000 yesterday to close at Y2.92m, partly on expectations that a second tranche would push the price even higher.

A MoF official confirmed that it had told securities houses to refrain from exaggerated advertising of NTT shares. Because the purchase would be the first equity purchase for some investors, brokers should not accentuate the positive side but make it clear that risks are involved.

The ministry announced in mid-September that the public sale of the second issue would take place from November 10 to 12. The shares are to be priced at a discount of 3.5 per cent to the closing price for NTT on November 9.

The shares will be sold through a syndicate of well over 200 securities houses, including 35 foreign brokerages. The ministry favors giving individual investors a larger proportion of the second offering and has been advising securities concerns against selling too large a proportion to institutions. Because of this, and to make the shares generally attractive, the ministry does not want the current market price to rise too sharply.

Sanwa Bank to buy out US shareholding

By Our Financial Staff

SANWA BANK of Japan is to buy out the interest of the New York-based Chemical Bank in Chemical Sanwa Merchant Bank (ChemSanwa) of Singapore.

Until now ChemSanwa has been operated as an equally-owned joint venture. Although terms of the deal were not disclosed, as of September 30 ChemSanwa had total assets of S$400m (US$191.3m) and a paid-up capital of S$15m.

The bank's name will be changed to Sanwa Singapore, which will become the second wholly Japanese-owned merchant bank in the island state, a joint statement said.

Meanwhile United Overseas Bank (UOB), one of Singapore's big four commercial banks, yesterday confirmed that it had won control of Industrial and Commercial Bank, the island's sixth largest, following a S$258m takeover bid launched in July.

UOB said its offer, which closed yesterday, received acceptances in respect of 29.61m ICB shares, raising its stake to 43.61m shares or 87.2 per cent.

It offered to take over ICB after gaining control of a 28 per cent stake. The offer was through a share exchange of seven UOB shares for every eight in ICB.

Subaru joint deal with Taiwan Vespa

BY BOB KING IN TAIPEI

SUBARU MOTORS, a subsidiary of Japan's Fuji Industries, has announced a T$1.2bn (US$40m) joint venture with Taiwan Vespa to produce subcompact cars.

The arrangement is seen as replacing a technical co-operation agreement under which Subaru assists another Taiwan company, Sanfu Motors, in manufacturing small cars. That agreement is due to expire next year.

Taiwan Vespa has for some time produced motor scooters, of which 80 per cent are sold within the country. In two years the new company, called Ta Ching Motors, will begin to produce Subaru's Justy model sedan, which industry officials say is popular in the US.

Subaru will hold a 35 per cent stake in the new venture, and Taiwan Vespa the rest. Japanese car manufacturers have in recent years been stepping up co-operation with Taiwanese firms in what some analysts say is an effort to deflect protectionist pressure in major foreign markets. The move of some production offshore is also a reaction to the competitive pressures which have stemmed from the increase in the value of the yen.

Taiwan's own automotive industry, which now consists of seven assembly plants including those for Renault and Peugeot of France, has remained concentrated on the domestic market because of problems with pricing and quality. Increased Japanese involvement and a greater economy of scale, however, could boost export sales.

Citibank credit card link in Japan

CITIBANK of the US and Tokyo Sogo Bank, Japan's largest mutual bank, have agreed to co-operate on credit cards, Reuter reports from Tokyo.

A Tokyo Sogo official said customers would be able to apply for a Gold Citicard, issued by Citicorp Card Services, at any of Tokyo Sogo's 85 branches throughout Japan.

The move is the first step towards defining the details of a broad agreement on co-operation reached by the two banks in April. It is also the latest in a series of plastic card tie-ups involving US banks in Japan.

At the same time, the official denied persistent rumours that Citibank is negotiating with the mutual bank over a possible merger or acquisition. "There are no negotiations," he said.

Thomson CSF lifts half-year earnings

By Paul Betts in Paris

THOMSON CSF, the large defence and professional electronics subsidiary of the French state-controlled Thomson group, reports higher first-half net earnings of FFr1.5bn ($247m), compared with FFr1.2bn in the comparable period last year.

Mr Alain Gomez, the chairman, indicated that Thomson CSF expected to make net profits of up to FFr2.8bn for the whole of 1987. Profits last year totalled FFr2.2bn.

First-half sales rose 11 per cent, to FFr17.6bn, but the company said that on a more comparable basis they would have shown an 18 per cent rise.

Thomson CSF has undergone big alterations in its overall structure during the last few months as a result of a series of changes in some of the group's assets.

These include the transfer of civil semiconductor activities to the new SGS-Thomson Microelectronics venture, control of Thomson-Lucas and increased interests in Societe de Banque Thomson and BATIF Banque.

Thomson CSF will also shed its CGR medical equipment business to General Electric this year as part of the recent asset swap agreement between the French and US groups.

Thomson CSF yesterday launched a SFr200m issue of 10-year bonds with equity warrants carrying a 2.5 per cent coupon.

Mr Gomez disclosed that Thomson CSF had shed a small subsidiary, Cameca, through a management buyout. The company has 240 workers in France, with annual sales of about FFr220m and profits estimated for this year at FFr5m. It manufactures high technology analysis instruments.

Huhtamaki to launch $45m tender issue

By Olli Virtanen in Helsinki

HUHTAMAKI, the Finnish food and drug company, with a big stake in the US confectionery industry, will launch a tender issue in free series one shares aimed at raising up to FM200m ($45m).

The issue, which would lift Huhtamaki's capital to a maximum of FM320.4m, is to be priced at about FM120. The free series one shares traded at FM152 on the Helsinki bourse on Wednesday, before yesterday's suspension.

Tenders will be accepted in multiples of 25 during the subscription period between October 19 and 23.

Free shares currently account for 3.5 per cent of Huhtamaki's outstanding share capital. According to Mr Asko Tarkka, chairman and chief executive, the proceeds will be used to improve the company's capital structure and to finance acquisitions.

SocGen forecasts big dividend increase

BY GEORGE GRAHAM IN PARIS

SOCIETE GENERALE, the recently privatised French commercial bank, has promised shareholders a sharp increase in dividend payments on the back of good first-half profits.

The group made net profits of FFr1.2bn ($197m) in the first six months of 1987, excluding minorities - 4.5 per cent more than half its result in the whole of 1986.

This is the first time Societe Generale has published consolidated half-year results, so no direct comparison is possible with the first half of 1986.

Gross profits showed a deterioration, as operating costs rose faster than net banking income, but this was offset by a reduction of 23 per cent in the level of bad debt provisions.

Mr Marc Vienot, chairman, said the group had now fully provided for possible customer defaults, but had continued to make FFr2.8bn of provisions in the first half for country risks, especially in Latin America.

The group's stock of bad debt provisions now amounts to FFr28.4bn. Mr Vienot said the total of provisions and capital represented 13.1 per cent of outstanding lending, weighted to take account of interbank activities.

He refused to say how much of Societe Generale's exposure in risk countries was now covered by bad debt provisions. Banque Nationale de Paris and Credit Lyonnais, Societe Generale's two main French rivals, have announced cover rates of 40 per cent and 38 per cent respectively.

Mr Vienot said: "I do not understand this striptease by banks which want to say precisely how much they are covered in each country."

He admitted that the bank had been a poor payer of dividends while it was under state ownership, preferring to build up provisions. This was because the state was a bad shareholder which did not provide the group with fresh capital.

Societe Generale had already tripled its dividend last year, in anticipation of its privatisation in June this year, distributing about 20 per cent of group net profits. This year Mr Vienot said he wanted to aim at a 25 per cent distribution, which would bring the bank closer to French and international norms.

This policy would not be allowed to jeopardise the bank's financial security, however.

"People have said that now we are privatised we will stop provisioning and start handing out our stock of provisions to shareholders, but we continue to provision in greater proportions than the BNP," Mr Vienot said.

Profits from Societe Generale's financial markets operations showed only a modest improvement in the first half, but the group continued to expand its consumer banking activities.

Customer deposits have risen by 14 per cent over the past year and personal loans by 29 per cent, as the group has tried to increase its market share in this sector, increasingly fought over by France's banks and specialist financial institutions.

Mr Vienot said the increase in operating costs had been partly attributable to the expenses of the company's privatisation campaign, and hoped that, for the full year, costs would rise only in line with the growth in net banking income.

First-half profits included no exceptional capital gains, which accounted for FFr873m of earnings in 1986.

Rothschild bank plans Swiss flotation

BY WILLIAM DULLFORCE IN GENEVA

BARON Edmond de Rothschild's bank in Geneva is going public and will seek listings on the Geneva and Zurich stock exchanges. The Baron belongs to the French branch of the family, whose bank in Paris was nationalised in 1981.

A consortium of Swiss banks led by Union Bank of Switzerland is offering for public subscription 16,000 bearer shares, each of SFr500 nominal value, in Banque Privee Edmond de Rothschild. The price will be fixed on Monday.

Baron Rothschild said yesterday that the new issue was aimed mainly at the bank's own employees, clients and friends. Control of the bank remains with the family, whose holding company, Compagnie Financiere Benjamin et Edmond Rothschild, owns 87 per cent of the share capital. The Baron and his son, Benjamin, intend to retain more than half the shares.

The share capital is being raised from SFr40m ($26.6m) to SFr45m by the issue of 10,000 bearer shares. Existing shareholders are to cede a further 6,000 bearer shares from a capital increase in July.

Banque Privee, which showed total assets of SFr993m at the end of 1986, specialises in portfolio and capital management for private and institutional investors. It has an important branch in Luxembourg.

Net earnings climbed from SFr7.2m in 1982 to SFr13.4m last year, when shareholders were paid a dividend of 18 per cent, unchanged from the previous year.

It would be a reasonable aim to continue paying out 40 per cent of reported net earnings or 25 per cent of the real earnings, Baron de Rothschild said.

However, the company made it clear yesterday that the profit projections contained in the prospectus for the bank's share issue might eventually prove to be too cautious.

Mr Roger Max, the bank's chief executive, forecast a 20 per cent increase in net earnings this year, compared with the 15 per cent growth target set by the prospectus.

Edmond de Rothschild: owner

Aerospatiale sees setback

AEROSPATIALE, France's state-owned aerospace company, expects earnings for 1987 to be close to the break-even level, a prediction which represents a substantial setback for the group, Our Financial Staff writes.

The company made a net profit of FFr303m ($50m) for 1986.

However, Aerospatiale said that first-half progress had underscored the company's dynamism. Despite a difficult trading environment, new orders had totalled FFr15bn, of which 70 per cent were for export.

Over the first eight months of 1987, aggregate new orders amounted to FFr19.6bn.

Aerospatiale's revenue for the first six months was FFr10.9bn.

Fermenta scandal hits Nordbanken at midterm

BY SARA WEBB IN STOCKHOLM

NORDBANKEN, the fifth largest of Sweden's publicly quoted commercial banks, reported a 39.3 per cent tumble in operating profit to SKr183.5m ($28.6m) for the first eight months of 1987 and blamed rapidly rising costs and higher credit losses arising from the Fermenta scandal and one of its regional offices.

Total income for the bank dropped by 6.3 per cent, to SKr769.7m.

The higher credit losses are chiefly due to loans to Mr Refaat El-Sayed, the former driving force behind Fermenta, the scandal-riddled antibiotics and chemicals company. The bank has written off its loans to Mr El-Sayed and given its holding of about 18.45m Fermenta B class shares a book value of SKr165m.

One of Nordbanken's regional offices, in Gaevle, on the east coast of Sweden, has run up serious losses, estimated to be up to SKr90m.

An investigation into how the office managed to incur such losses is under way and a new manager has been appointed.

Nordbanken claims that in the wake of these credit losses, tougher internal controls have been enforced.

Total costs for the bank have risen by 14.1 per cent, to SKr450.6m, against SKr395m in the comparable period last year.

UAP makes a solid start

UAP, the French state-owned insurance group due to be floated on the Paris bourse in December, yesterday announced its first ever set of interim results suggesting that group profits had made a solid start to the year, Our Financial Staff reports.

Consolidated attributable net profit for the six months totalled FFr1.65bn ($272m). UAP is unable to make direct comparisons with the first half of 1986 but it points out that the result clearly compares favourably with 50 per cent of last year's FFr2.25bn profit.

Turnover was FFr22bn, compared with FFr36.5bn for the whole of 1986 on a comparable structure and FFr38.8bn on the former structure.

The group said the cumulative profits of the parent company and its life and accident insurance divisions - UAP-Vie and UAP Incendie-Accidents - were FFr1.42bn. The profit for 1986 as a whole was FFr1.81bn.

THE PROPERTY MARKET

By Paul Cheeseright

The lessons from Baltimore

BALTIMORE has passed into international folklore as a model of inner city regeneration. The east coast US city is a magnet for British officials, not least those of Cardiff, trying to pick up ideas that might work in the UK.

British cities, or parts of cities, looking for new life, like Liverpool, Manchester, Newcastle, Middlesbrough, London and Cardiff at least have in common with Baltimore stretches of water. But there the similarities may stop. Techniques of urban renewal tend not to travel very well.

Walter Sondheim has been involved with the problems of Baltimore for nearly 50 years. Now chairman of Charles Center-Inner Harbour Management, which runs for the City of Baltimore two key urban renewal areas, he noted that what worked in Baltimore might not work 100 miles away - the economic, social and political mix differs from one city to the next in the US, never mind across the Atlantic.

That said, all urban renewal projects start with property development - the construction of new buildings or the refurbishment of old with the idea that if this work is carried out someobody might be induced to do something in them. The renewal programmes are a speculation.

The first problem to be resolved is who is going to do the speculating. In both the UK and the US it has been the public sector that has taken the first plunge, not least because one of the objects of the exercise is to increase the tax base. It has sought through its own commitment to draw in the private sector.

This has worked in London Docklands. It has not worked in Merseyside. And, as the Conservative Party conference this week has indicated, there are sharply different views both on the level of public spending and on the way it ought to be organised.

Mr Sondheim recalled that four years ago total investment in Baltimore's urban renewal passed $1bn. Of that 45 per cent was public money, including the costs of new federal government offices, a courthouse, new streets, the provision of utilities and poublic areas. The balance came from the private sector.

But by the time that $1bn had been spent another $500m was in the pipeline. Of that sum though the private sector contribution was overwhelming - 95 per cent to 5 per cent from the public sector.

"Public investment has to go in first. Some US cities thought they could get the developers in before doing anything. I don't think it works in America," said Mr Sondheim. The private investor is a speculator. What you've got to do is to build a confidence in the developer that the scheme is going through", said Mr Sondheim.

There is not much evidence the British developers will move first either. Neither owner occupiers nor the speculative office and residential developers moved to London Docklands until the Development Corporation started to create the infrastructure.

British specialists in urban renewal note that there are two kinds of public works involved here.

The first is the preparation of sites for the developers - which can be expensive in the early stages but once done does not have to be repeated.

The second is the financial underpinning of economic generators, which need a long term subsidy in themselves but help to bring the spending public into the area. The Baltimore acquarium is an example - it not self-financing. A similar venture at Liverpool, now on its fourth submission to the Department of Environment for approval, would be another.

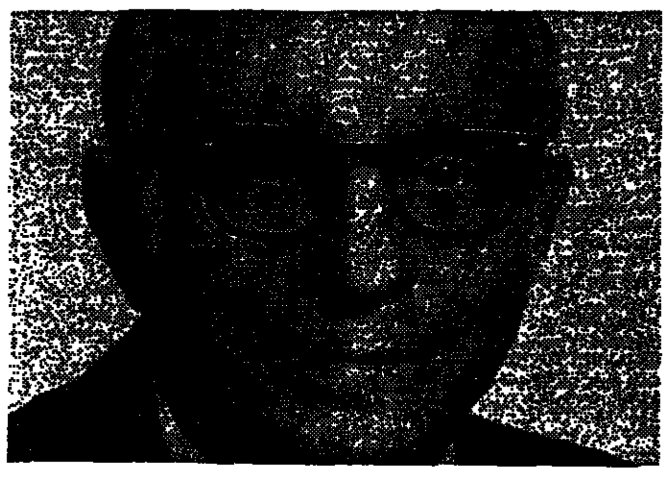
The British Government has come to terms with the first but is temperamentally unattuned to the second.

It is now talking increasingly of a partnership with the private sector to bring about renewal. Mr Kenneth Clarke, the Minister for Trade and Industry, told Conservatives that the Government could offer businesses a menu of ways in which it could them in the inner cities. The businesses could choose what bit of the menu they wanted and the relevant government department would work with them.

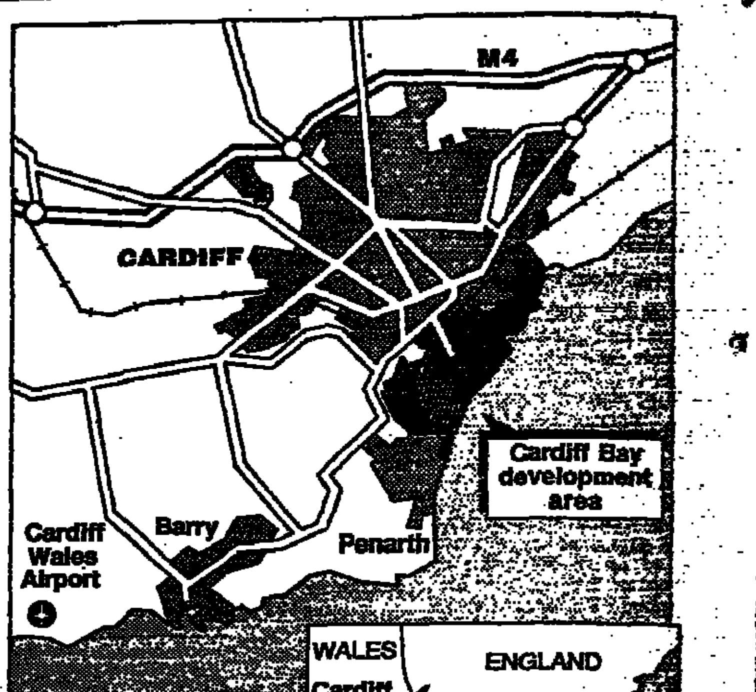
Implicit in this is a by-passing of local authorities. It is interesting, however, that, in contrast to this approach, the urban regeneration plan in Baltimore started because of a coalition between local business interests and the City authorities. The US federal Government concern was not so much about the central business districts as about housing.

ON THE basis of nearly half a century in Baltimore, Walter Sondheim (pictured right) lessons on how to go about urban renewal that extend beyond drawing in the public sector and making certain there is a local partnership between business and government. Here is his personal list:

- **Concentrate on areas which are large enough to make an impact but small enough to be manageable;**
- **Adopt a plan and stick to it - that gives developers confidence;**
- **Try to control the timing and nature of the developments - for example, don't allow a glut of offices;**
- **Avoid trying to get the highest price for land - you want the money to go into improvements;**
- **Use imaginative financing to fit the site - the Baltimore authorities guaranteed mortgages, for example;**
- **Make certain the development area is not an oasis - raising the level of sub-standard housing in nearby areas has to go in tandem;**
- **Be sure the development area is a place for people - never deny public access to a waterfront;**
- **Keep a check on quality through the use of architectural review boards from the earliest stage of a scheme.**



Breathing new life into the old docklands of Cardiff



At half past nine tomorrow morning, in committee room 'B' of the Cambrian Building in Cardiff, the board and advisers of the Cardiff Bay Development Corporation (CBDC) sit down to listen to six hours of presentations from development consultants on what they ought to do with 2700 acres of old docklands.

They have their own grand scheme which is nothing to do with urban decay, they say. Rather it is the creation of a new maritime city using a mixture of public and private funding on the ratio one to three or four.

If private sector investment is drawn in on that ratio, the CBDC will be more successful than its counterpart at Merseysidewhere the ratio is one to 0.3 and indeed, more successful than Baltimore, on the basis of Mr Sondheim's figures, which work out at one to 2.15.

Conran Roche of London will lead off the presentations, followed by the Land Design Research-HLN consortium of US and British consultants, Llewellyn Davies Planning of London and Sasaki Associates of the US.

These four were chosen from 12 consultants to compete for the overall Cardiff Bay planning contract and one of them will be chosen over the weekend. The four are being paid for their presentations which means that the CBDC has access to all their ideas. The best ideas of each ultimately could be incorporated into the final plans of the winning consultant.

The key points the consultants have to take into account in their plans are the reunification of the waterfront with the city centre, the need for mixed developments that create job opportunities and residential development.

Some private sector development is already going on in the CBDC area, notably a housing development by Tarmac and a marina and housing development by Crest. Up to 1990, the CBDC plans to spend £50m on land acquisition and infrastructure and a further £50m on the construction of a barrage across the mouth of Cardiff Bay.

The race to join Tokyo

THE CONTEST among foreign securities companies to join the Tokyo Stock Exchange this year is hotting up.

Overseas stockbrokers are working feverishly to maximise their chances of joining the six foreign companies which last year became the first non-Japanese members of the exchange.

Just as last year's competition left a few groups bitterly disappointed, so it seems inevitable that some of the 1987 applicants will also fail to get in.

For at the last count up to 20 overseas companies - plus about 10 Japanese brokers - looked likely to apply. The exchange has indicated informally that it will admit about 20 new members altogether.

As a result, the top executives of foreign broking companies are busy lobbying officials of the exchange and of the Ministry of Finance, which closely supervises its affairs. Parent company directors have been flying in to add weight to their subsidiaries' arguments.

Companies have thrown grand parties - including BZW, the securities subsidiary of Barclays Bank, which last month invited hundreds of guests to the Palace Hotel to celebrate the opening of its Tokyo branch.

Diplomats, too, have rarely been far from the scene. The US and the UK, which led the way in pressing Japan to open up its financial markets, as well as other countries are now trying to make sure that their stockbrokers do not lose out.

Relations between governments over the issue are much less strained than they were when Mr Michael Howard, the UK Minister for Corporate and Consumer Affairs, visited Tokyo earlier this year to press for more exchange seats for foreign brokers.

Nevertheless, visiting government officials have continued to drop hints that favours done in Tokyo might result in considerate treatment to Japanese companies overseas. It is no secret that Japanese securities companies are keen to join the London gilts market. The Bank of England intends to review gilts market membership after the anniversary of Big Bang, which conveniently falls later this month.

The difficulty for the would-be TSE members is that the rules by which this heavyweight beauty parade will be judged are unclear. The assumption is that the TSE's criteria, to be published next month, will cover a candidate's experience of the Tokyo market, the volume of business done in Japan and the size of the parent company, among other matters.

This could land the TSE, and with it the MoF, with some tricky decisions. How would it judge BZW, for example, which has a branch with 108 staff and the might of Barclays behind it,

Despite feverish lobbying, some of the foreign firms trying to win membership of the Tokyo Stock Exchange seem bound to be disappointed. Stefan Wagstyl reports

but which started late in Tokyo and received its trading licence only last month?

Salomon Brothers, the US investment company, was so furious to be excluded last year, especially when smaller UK houses were admitted, that omission this time around looks almost inconceivable.

But what about W I Carr, which also almost made the list last time, but was subsequently hit by a mass defection of senior staff to Swiss Banking Corporation? Carr, now a subsidiary of France's Compagnie Financiere de Suez, has been rebuilt, but has it done enough to impress the TSE?

It might be that such calculations about relative merit will prove irrelevant, because the result looks likely to be heavily influenced - if not dominated - by politics.

Mr Mike Conners, who heads BZW in Japan, says: "My feeling is that they will decide this on political grounds and then work backwards and set up the (entry) criteria."

On this basis, the TSE is bound to give pride of place to the US companies which include subsidiaries of First Boston; Shearson Lehman Brothers (an American Express group company); Smith Barney, Harris Upham; Kidder Peabody; Prudential Bache; and Chase Manhattan Bank, as well as Salomon.

The British contingent of five is made up of BZW, plus subsidiaries of National Westminster Bank, J Henry Schroder Wagg, Kleinwort Benson, and Baring Brothers.

James Capel is having to fight its battle without the direct support of the UK Government - as a subsidiary of the Hongkong and Shanghai Banking Corporation, it has to rely instead on the colony's authorities. But this is thought unlikely to weaken its chances, since Japan may find it hard to reject the only candidate from Hong Kong, Asia's second largest financial centre.

France, West Germany and Switzerland each have two candidates - respectively Carr and Societe Generale; Deutsche Bank and Dresdner Bank; and Swiss Banking Corporation and Union Bank of Switzerland, through UBS, Philips & Drew.

Mr Narabu Koga, a vice-president of Kidder Peabody, speaks for virtually all the candidates when he says "prestige" is the main reason for joining the exchange. "It's a status symbol. Membership will impress our (Japanese) domestic clients and help in recruiting (Japanese) people."

In addition, companies will save the commission they pay to members for trading on their behalf. But they will pay heavily - entry could cost Y1bn ($6.9m) for an admission ticket, plus the salaries of 15-20 extra staff, computers and office space. Drexel Burnham Lambert of the US is one broker which says that it is still studying whether the costs are justified.

The difficulty for several companies - including both those which want to apply now and those which prefer to wait - is that there is no way of knowing whether this will be a last chance to join.

The exchange admits new members at ad-hoc intervals. But it has said that this year's admissions will be limited by the capacity of its new building, which will be opened in April.

Some brokers argue that international pressure for opening up the market will eventually force the exchange to end its "batch" entry contests and admit new companies at any time they apply, so long as they fulfil the admission criteria.

Others are not so sure. The 93 exchange members each have one vote irrespective of their size. There are said to be plenty of backwoodsmen who think that internationalisation has already gone far enough.

Swiss warm to SFr200m issue for Thomson

By Alexander Nicoll and Clare Pearson

THOMSON, THE French state-controlled defence and electronics group, yesterday enlivened the Swiss franc foreign bond market with a SFr200m equity warrants bond which met a firm initial response.

The bond was announced late in the day, allowing underwriters little time to gauge demand, but nevertheless they quoted indicative bid prices close to the bond's par issue price.

Dealers noted that Swiss investors were displaying continued buoyant demand for equity linked bonds. A SFr200m 4¾ per cent 10-year equity warrants deal for Deutsche Bank, for instance, was quoted yesterday at 129½, against a 122 issue price.

Thomson's 10-year issue pays a 2½ per cent coupon and the all-in premium on the warrants amounts to 33½ per cent. The exercise price was set at FFr1400, against a close on Wednesday of FFr1270.

Earlier this week, Thomson announced a heavy programme of capital investment in its consumer electronics business, amounting to FFr20bn over the next 10 years.

Unlike the equity linked sector of the market, seasoned fixed rate Swiss franc bonds continued under pressure with longer-dated issues losing about ½ percentage point in price.

In the Eurobond market, general concern about the upward trend in interest rates discouraged new issue activity - even though the recent rises in US prime rates and in West German repurchase rates did not shock the markets.

Fidelity Federal Savings and Loan made a $100m floating rate note issue collateralised by mortgages. The five-year issue was priced at par with a margin of 12.5 basis points

INTERNATIONAL BONDS

above three month London interbank offered rates. The issue sold fairly slowly but was quoted within its fees.

The equity-linked sector continued absorb the three-tranche Bell Resources issue, in which the amounts were adjusted. The dollar portion was cut at the borrower's request from $575m to $550m and the Australian dollar tranche increased from A$150m to A$200m. Dealers said the bonds continued to go well although the large size of the dollar issue meant that it would take time to digest. It was bid at 96¾ while the other tranches traded above par.

Nisshin Oil Mills made a $70m bonds-with-warrants issue led by Nomura International. The five-year deal has an indicated coupon of 3½ per cent and was quoted just within fees.

In a generally becalmed secondary Eurobond market, Eurodollar bond prices gave up as much as ⅝ percentage point, responding to to the US Treasury bond market's weaker tone in the wake of the auction of seven-year notes on Wednesday.

Increasing concerns that the Federal Reserve might be tightening its monetary policy fuelled losses of around ½ point among the shorter-dated issues, but yield margins tightened as the Eurodollar bond market lagged losses in US Treasury bond prices.

The address by Mr Nigel Lawson, the UK Chancellor of the Exchequer, to the Conservative party's annual conference formed the main focus of attention in the Eurosterling market. However, though gilt prices eased by about ¼ point in response to his projections of continuing strong UK economic growth, Eurosterling bond prices remained unchanged.

The £75m 10¼ per cent for Credit Lyonnais, launched on Wednesday, was bid at less 1.95, compared with 1⅞ per cent fees.

● Hoare Govett, the UK securities house owned by Security Pacific, has withdrawn from making markets in bulldog bonds, bonds issued in the British domestic market by foreign borrowers.

Equity-linked issues ahead in third quarter

By Our Euromarkets Editor

THE GROWTH of equity-linked bond markets and the contraction of both fixed and floating rate new issue volume are underlined in the latest figures from the Organisation for Economic Cooperation and Development.

Borrowing on international bond markets rose from $42.7bn in the second quarter of 1987 to $46.2bn in the third quarter, but was $17.4bn below the volume of the third quarter of last year. Within the latest total were a record $18.5bn of convertible and other equity-linked bonds. Straight bonds totalled $24.8bn, the lowest since the second quarter of 1985, while floating-rate notes at $2.8bn compared with $23.5bn in the same quarter of last year.

First default hits France's fast-growing CP market

BY GEORGE GRAHAM IN PARIS

FRANCE'S fast-growing market in commercial paper - short-term, unsecured loan notes - has been shaken by its first default.

Investors are still waiting for repayment of a FFr20m ($3.3m) commercial paper programme issued by Societe Francaise d'Extrusion et de Calandrage (SFEC), a small plastics company in northern France which is in bankruptcy proceedings.

Although the sums at stake are relatively small, SFEC's failure to repay is seen as the first real hiccup in France's progress towards securitisation, the process in which companies borrow directly from the markets by issuing tradeable securities, without the intermediation of the banks.

Senior bankers believe the default could provide a healthy jolt to a market which has grown too fast and where investors have too often believed that their money is guaranteed.

Commercial paper issues, known in French as *billets de tresorerie*, were first authorised in December 1985. The market grew rapidly to a total of FFr26bn by June last year, when the Bank of France put a clamp on new issues.

After the removal of this restriction in January the market once again grew rapidly, levelling off at FFr45.6bn in issue at the end of last week.

Interest rates averaged 7.31 to 7.81 per cent for paper with a maturity of 20 to 40 days, compared with 7.35 to 7.45 per cent for one-month Treasury bills issued by the French Government.

Mr Leopold Jeorger, director of capital markets at Societe Generale, France's fourth largest bank, said: "Small companies have not been paying enough of an interest rate spread over bigger names. We think that this incident should lead to a better differentiation of rates."

Investors have often been willing to accept paper issued by very small companies, without any form of credit rating, in return for a margin of only ⅛ or ⅛ percentage point above the rate they would receive from the largest companies in the commercial paper market, such as Air Liquide or Peugeot.

In the French market, in contrast to some other commercial paper markets, as much as 40 per cent of the paper is bought directly by corporate treasurers, rather than by institutional investors.

Market operators believe these treasurers have often been misled by the bank back-up line, that every issuer of commercial paper must arrange, into thinking that repayment is guaranteed by this bank.

Some investors still believe that Credit Agricole, France's largest banking group which provided the back-up line and placed most of the SFEC paper with its clients, will eventually step in to repay the money.

But most bankers hope that the Credit Agricole will do no such thing.

The managing director of another leading bank said: "That would be a very frightening precedent. The market must learn that there is a price to be paid for disintermediation."

Credit Agricole said yesterday that while it had no legal responsibility in the SFEC case, it was negotiating ways of reducing the damage to its clients.

The same lack of interest rate differentiation has arisen in the FFr140bn market for certificates of deposit, short-term paper issued by banks. Small finance houses do not pay enough of an interest premium over the largest banks in Paris to justify the increased risk.

A dealer at one large Paris bank said: "It is difficult to get investors to pay attention to the quality of the signature. Today we are selling commercial paper from a small issuer at only 5 basis points above Treasury bills."

Credit Agricole said yesterday that the main lesson of the SFEC default was the underdevelopment of credit ratings in France.

Some bankers argued, when the market was first authorised, that every issuer should be compelled to obtain a credit rating. In the US, they said, company boards would not allow their corporate treasuries to invest in the paper of issuers rated below AA.

A French rating agency, Adef, has been set up. But so far it has issued ratings on only five commercial paper programmes, including the largest issuer, Peugeot, with a FFr5.5bn programme.

Overseas traded options for London

By Clare Pearson

THE INTERNATIONAL Stock Exchange in London yesterday announced that it will launch traded options next month on three French shares, inaugurating what it hopes will become an international market in traded options.

Options on Elf Aquitaine, Peugeot, and Saint-Gobain, which are among the 200 shares in which firm prices are quoted on SEAQ International, the Stock Exchange's screen-based quotation system for foreign stocks, will begin on November 5.

Mr Tony de Guingand, director of the London Traded Options Market, said the LTOM was in discussions with two other European stock exchanges, one of which is believed to be West Germany, about the possibility of setting up a London-based market in options on their domestic shares.

Mr Geoffrey Chamberlain, chairman of the Exchange's options committee, said the international options project was aimed at increasing London's competitiveness as an international share dealing centre, and also intended to prevent off-exchange options trading developing as the market expanded.

"It became apparent that an over-the-counter market in options on international stocks would arise if the London Traded Options Market did not fulfil *the needs of the professionals*," he said.

London options on French shares will compete with the fledgling Paris market in traded options which was launched in September and offers options on six stocks: Elf-Aquitaine, Lafarge Coppee, Paribas, Peugeot, Thomson-CSF, and Compagnie du Midi.

But Mr de Guingand said the London quoted options should complement the existing French options as they will trade for delivery in three-monthly cycles commencing in February each year, creating arbitrage opportunities with the Paris-quoted options which trade on a cycle beginning in March.

Twenty-three French shares are quoted by ten market makers on a firm-price basis on SEAQ International at the moment.

Woolworth expands facility

By Our Euromarkets Editor

WOOLWORTH, THE UK retailing group, has expanded a multiple option facility arranged in January this year from £150m to £250m, with the committed amount rising from £100m to £250m.

N.M.Rothschild arranged the deal, which incorporates a tender panel for acceptances and advances. The margin over London interbank offered rates is 10 basis points, the facility fee 5 basis points, and the utilisation fee 2.5 basis points if the facility is more than half used. The facility expires in January 1992.

Dyno shows three-fold increase at eight months

BY KAREN FOSSLI IN OSLO

DYNO INDUSTRIER, the Norwegian industrial group, increased turnover by 20 per cent to NKr2.8bn ($420m) in the first eight months of this year compared with NKr2.3bn in the same period last year, with foreign sales accounting for 60 per cent of the total.

Accumulated profit for the eight months achieved a three-fold increase to NKr166m, compared with NKr60m.

Group expenses rose by NKr11m to NKr38m because of loans incurred during the acquisition of Nitro Nobel of Sweden, and because of lower realised gains on the company's securities portfolio.

Dyno said that developments had been favourable for the group's main sectors of explosives, chemicals and plastics although "there is potential for improvement and higher future levels of earnings" for certain explosives' operations.

The company's chemicals, plastics and packaging groups are facing higher raw material prices, in the wake of the rise in oil prices, and when seen in isolation this will result in future lower earnings. However, "the plastics group is recording rapid growth."

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on October 8

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7⅛ 92	200	90	90½	−0⅛	−0¼	10.36
All Nippon Air 9⅞ 97	100	90¾	91¼	0	+0¼	10.90
American Brands 8⅞ 92	150	94½	95	0	−0⅛	10.30
A/S Eksportfinans 7⅞ 93	100	87½	88	0	−0⅛	10.40
A/S Eksportfinans 7¼ 92	150	88⅝	89⅛	−0⅛	−1⅛	10.62
Belgium 9⅛ 92	400	96	96⅜	−0⅛	+2⅞	10.15
British Telecom 7⅞ 96	250	82⅞	82⅞	0	−0⅛	10.76
British Telecom 8¾ 94	150	92⅞	93⅜	−0⅛	−0¼	10.65
Campbell Soup 10⅞ 95	100	100⅞	100⅞	+0⅛	−0⅛	10.35
Canada 9 96	1000	92½	93	−0⅛	−0⅛	10.31
Canadian Pac 10⅜ 93	100	101⅛	101¾	0	−0½	10.36
C.C.C.E 7⅞ 91	113	90¾	91¼	+0⅛	−0⅛	9.89
C.N.C.A 7¼ 91	150	89⅝	90⅛	0	−0½	10.24
Coca-Cola Ent. 8¾ 90	100	97⅛	97⅝	0	+0⅛	9.34
Credit Lyonnais 9 91	200	97⅛	97⅝	−0⅛	+0⅛	9.91
Credit National 7⅞ 92	100	90¼	90⅞	−0⅛	−0⅛	10.06
Credit National 7¼ 91	150	90⅞	91⅜	−0⅛	−0⅛	9.96
Denmark 7⅞ 92	500	87⅞	88⅜	−0⅛	−1⅛	10.69
Denmark 8¼ 91	300	†95⅛	95⅝	+0⅞	+0⅛	9.76
E.E.C 7 91	100	90⅛	90⅝	−0⅛	−0½	9.84
E.E.C. 7¼ 93	250	88⅛	88⅝	−0⅛	−0½	10.13
E.E.C 8¼ 96	100	87	87½	−0⅛	−0⅛	10.54
E.I.B. 7⅞ 93	100	88	88½	−0¼	−0¼	10.27
E.I.B. 9¼ 97	150	92⅛	92⅝	−0¼	0	10.65
Finland 7⅞ 97	200	83⅛	83⅝	−0¼	−0¼	10.77
Finland 7½ 95	200	88⅛	88⅝	−0⅛	−0⅛	10.20
Ford Motor Cred 11⅞ 90	100	103¼	103¾	0	−0⅛	9.59
Gen Elec Credit 10¼ 00	200	100⅝	101⅛	0	−0½	10.09
G.M.A.C. 8¼ 89	200	98⅝	99⅛	+0⅛	0	8.99
Hoesch 8¼ 97	100	86	86½	+0¼	+0¼	10.60
Hoesch 7⅞ 92	100	92½	93	−0⅛	0	9.41
Hoesch 7⅞ 94	300	88⅞	89⅛	−0⅛	−0¼	10.29
Liberty Mutual 8½ 96	150	87½	88⅛	−0¼	−0½	10.71
L.T.C.B of Japan 8 91	100	93⅛	93⅝	−0⅛	0	10.15
L.T.C.B. of Japan 8 97	200	82⅞	83⅛	−0⅛	−0½	11.00
Mercds-Benz Cred 7½ 93	100	89⅞	90⅛	−0⅛	−0½	9.79
Mercds-Benz Cred 8¼ 92	100	95⅞	96⅛	−0⅛	−0¼	9.28
Mitsubishi fin. 7⅞ 93	100	87⅛	87⅝	0	−0⅛	10.76
Mutual America 7⅝ 92	100	†90⅞	91¼	0	−0½	10.32
Norway 7¼ 91	500	92⅛	92½	−0¼	−0⅛	9.74
Pepsico Inc 7⅞ 93	200	88⅛	88⅝	0	+0¼	10.18
Prudential Crp. 8¾ 94	125	91⅞	92½	+0⅛	−0½	10.41
Qantas Airways 10⅞ 95	140	97⅞	98¼	−0⅛	−0⅛	10.75
Republic of Italy 9 90	100	†98½	99	0	+0¼	9.50
Saab Scania 9½ 91	125	99⅞	99⅞	+0⅛	+0⅞	9.60
Saskatchewan 10⅞ 92	100	102	102½	0	−0⅛	10.06
State Bk S Aust 9¾ 93	100	94⅞	95⅜	−0⅛	−0¼	10.49
Swedish Expt.Crd.7¾ 91	100	91½	92	−0⅛	−1	9.76
Swed Exp Cred 10 92	100	100⅞	100⅞	0	−0¼	9.87
Sweden 7 91	250	90⅞	91⅛	−0⅛	−0¼	9.79
Sweden 7 92	250	90⅛	90⅝	+0⅛	+0⅛	9.80
Sweden 8¼ 96	200	89⅞	90¼	−0⅛	−0⅛	10.58
Sweden 8½ 92	200	94⅛	94⅞	−0⅛	−0⅛	9.93
Taiyo Finance 7⅞ 94	100	86⅛	86½	−0⅛	−0⅛	10.85
Toyota Motor Cred 8 89	100	†97½	98	0	0	9.43
Toyota Mtr.Cred.7⅛ 92	150	90	90⅛	−0⅛	+0⅛	10.04
Victorian Rep 11⅝ 92	150	104⅞	104⅞	0	−0¼	10.26
World Bank 7 92	300	89⅝	90⅛	0	−0½	9.98
World Bank 9 97	300	90⅞	90⅞	−0⅛	−0⅛	10.61
Yasuda Trust Fin 8½ 93	100	91¼	91¾	−0⅛	+0⅛	10.53

Average price change... On day −0⅛ on week −0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Arab Banking 5½ 92	150	95⅞	96¼	0	0	6.50
Avis Fin.SVS 5⅞ 92	100	†99	99½	0	0	6.06
Bank of Greece 6½ 95	150	94⅛	94⅝	0	−0½	7.45
Bank of Tokyo 5⅞ 93	100	†98	98½	0	+0⅛	6.13
BMW 5¼ 96	200	87⅞	88⅛	−0¼	−0½	7.32
Degussa Int. 6 1/8% 97	200	92⅞	92⅞	0	+0⅛	7.21
E.I.B 5½ 98	150	87⅛	87⅝	−0⅛	+0⅛	7.23
E.I.B 6 97	300	92⅞	93½	0	−0⅛	7.02
E.I.B. 6¼ 96	300	93⅞	94⅛	−0⅛	−0¼	7.06
E.I.B. 6⅛ 97	400	92⅞	93⅛	+0⅛	−0¼	7.16
E.I.B. 6⅞ 95	300	99	99¼	−0⅛	0	6.97
Euro.Coal& Steel 5⅞ 97	175	91½	92⅛	0	0	7.10
Eurofima 6¼ 96	100	94½	95⅛	0	−0¼	7.07
Elec De France 5⅞ 97	300	89⅞	90	+0⅛	−0⅛	7.27
Hoesch Int'l Fin.7 95	100	100½	101¼	−0⅛	−0¼	6.85
I.A.D.B. 6 97	200	91	91¼	+0⅛	−0⅛	7.27
IBJ 5⅞ 96	200	89⅞	90⅛	+0⅛	+0⅛	7.23
Japan Finance 5¾ 97	100	89⅞	90½	0	−0⅛	7.23
Ireland 6½ 97	300	†94⅞	95⅛	−0½	−0¼	7.21
Korea Dev BK 6⅞ 93	100	98⅛	99⅛	−0⅛	+0¼	6.83
Malaysia 6 -⅛ 94	150	96	96½	0	0	6.96
Mitsubishi Met. 5⅛ 89XW	100	95½	96¼	+0¼	+0½	5.02
Portugal 5⅞ 92	150	98⅞	99⅛	+0¼	0	5.99
Portugal 6⅞ 95	150	98⅞	99⅛	0	+0⅛	6.83
Royal Insurance 5½ 92	300	†99¾	100¼	0	0	5.49
Statoil 6¼ 97	200	†92¼	92¾	0	−0¼	7.37
Soc Cent Nuclear 7¼ 95	150	102⅞	103	−0⅛	+0⅛	6.79
Societe Cent Nuclear 8 91	100	104⅞	104⅞	0	0	6.58
Stewag 5½ 96	100	93⅞	94⅛	0	+0½	6.38
Tokyo Elec. Power 6 97	300	†91	91½	0	−0⅛	7.38
World BK. 6¼ 97	600	94⅛	94½	0	−0⅛	7.33

Average price change... On day 0 on week 0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev.Bk. 5⅞ 96	100	†99⅞	99½	0	−0⅞	5.71
AMR Corpn. 5⅞ 01	200	†89	90	+0¼	0	6.43
Asfinag 5 02	150	†95⅞	96	0	−0⅞	5.43
Bayer W/W 2½ 02	250	†115	115⅞	+0⅞	−1⅛	1.37
BBL W/W 2⅞ 97	100	†99⅞	100	−0⅛	−0⅛	2.79
Elec.De.France 5 07	100	†97⅛	98	0	−0⅛	5.19
E.I.B. 4¾ 97	200	†96	96½	+1⅛	−0½	5.25
E.I.B 4⅞ 97	200	†94½	94⅞	+0¼	+0⅛	5.36
Enso Gutzeit 5 99	100	†98⅞	98⅞	+0½	−0⅛	5.17
Ireland 5 02	150	†95	95½	0	−0⅞	5.69
Newfoundland 5⅛ 02	150	†99½	100	0	0	5.15
Polly Peck 6 92	75	†102½	103½	0	+0⅞	5.20
Prov.of Manitoba 4⅞ 02	200	†94⅞	95	+0⅛	−1⅛	5.43
Prov. of Quebec 5 03	200	†96	96½	−0⅛	−1	5.36
Qantas Airways 4⅞ 97	110	†93	94	−1¼	−1⅛	5.62
SHV Holdings 4⅞ 94	100	†98½	99	0	+0¼	4.97
Tiroler 4⅞ 97	100	†96⅞	96⅞	0	−0¼	5.21
TNT 5 95	100	†99⅞	99⅞	−0⅛	−0⅛	5.08
Woolwich B/S 4½ 92	120	†96	96½	−0⅛	−1⅛	5.39
World Bank 5 02	200	†95	93¼	+0¼	−1⅛	5.70

Average price change... On day +0⅛ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 4⅞ 94	45	90½	90⅞	−0⅛	−0⅛	6.39
E.I.B 4⅞ 94	40	90⅞	91⅛	+0⅛	0	6.33
Elec. De France 5⅛ 94	20	93⅝	94⅛	−0⅛	+0⅛	6.30
Kansai Electric 4⅞ 96	60	91⅛	91⅝	−0⅛	0	6.24
Norway 4⅞ 92	60	92⅞	93⅛	+0⅛	+0⅛	6.08
S.N.C.F. 4⅞ 93	20	93⅝	94⅛	0	+0⅛	6.15
Sweden 5⅞ 95	20	95½	96⅛	0	+0⅛	6.32

Average price change... On day 0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
A/B Electrolux 14⅛ 90 A$	50	102½	103¼	0	+0⅛	12.78
American Brand 9⅞ 94 £	50	94⅛	94⅝	0	−0⅛	10.72
American Express OC.10 94	40	96½	97⅛	−0⅛	−0¼	10.69
Bergen Bank 15 90 A$	50	†101⅝	102⅛	0	+0⅛	13.77
BP Capital 13¼ 92 A$	75	103⅝	103⅞	0	+0⅛	12.66
Chrysler Crp 10 91 C$	75	97¼	97¾	0	+0⅛	10.09
C.D.E. 8⅞ 95 LF	600	104¼	105¼	−0⅛	−0⅛	8.05
Creditanstalt 14½ 90	60	102½	103	0	+0⅛	12.77
Denmark 7⅞ 92 ECU	100	97⅞	98⅛	0	−0⅛	8.27
DG Fin. Co. 13¼ 90 A$	50	102⅞	103¼	0	+0⅛	12.44
DG Fin. Co. 14 90 A$	75	103⅞	103⅞	0	−0⅛	12.42
DG Finance 14⅛ 92 A$	50	106⅛	106⅝	0	+0⅛	12.36
Deutsche Bank 9⅞ 97 £	75	94⅞	95⅛	−0⅛	−0⅛	10.70
Deutsche Bk.14¼ 92 A$	100	†106¼	106¾	0	+0⅛	12.20
Dresdner fin.13⅞ 91 A$	100	†103½	104	0	+0⅛	12.46
E.I.B 7⅞ 91 ECU	100	97	97½	−0⅛	−0⅛	8.28
E.I.B 8⅞ 93 LF	1000	†103	104	+0⅛	+0⅛	7.78
Euratom 7⅞ 97 ECU	145	88	88⅝	−0⅛	−0½	9.29
Finland 6 91 FL	100	98⅞	99⅛	0	+0⅛	6.24
G.M.A.C. 9 92 £	50	94⅞	95⅛	0	+0⅞	10.34
G.M.A.C. 9¾ 92 C$	75	96	96½	−0⅛	−0⅛	10.28
G.M.A.C Aus.Fin.14 90 A$	50	101¾	102¼	0	+0⅛	13.03
Halifax BS 10⅞ 97 £	100	95⅞	96⅛	+0⅛	0	11.08
Helaba Fin. 13⅞ 96 A$	75	102⅞	103⅛	0	+0⅛	12.78
Imp Chem Inds 10 03 £	100	92⅞	93⅛	−0⅛	+0⅛	10.94
Inv.in Ind.Intl 10 93 £	60	97	97½	−0⅛	0	10.65
Land Securities 9½ 07£	200	†81⅞	82¼	−0⅛	−0¼	11.89
Leeds B.S 10½ 91 £	50	98⅝	99	−0⅛	−0¼	10.95
Mort.Bk.Denmark 6 91 FL	150	97¼	98⅛	0	+0⅛	6.56
Nat.Australia 14 92 A$	50	†101⅝	102⅛	0	0	−0.25
Nationwide BS 10¼ 93 £	75	96½	97⅛	0	−0⅛	10.91
New Zealand 7⅞ 93 ECU	200	93⅝	94⅛	0	−0⅛	9.22
Oesterr.Kbk.13⅞ 94 A$	75	101½	102	0	+0⅛	13.20
Prudential Fin.9⅞ 07 £	150	85⅞	86⅜	0	−0⅛	11.14
Royal Ins 10⅞ 92 £	60	101¼	101½	−0⅛	−0⅛	10.99
Royal Trustco 10½ 90C$	75	98⅛	98⅝	−0⅛	−0⅛	10.98
Sainsbury,J 10⅞ 93 £	60	100⅛	100⅝	+0⅛	+0⅛	10.75
S.D.R. 7⅞ 95 ECU	90	92⅞	93⅛	0	−0⅛	9.07
Trthouse Forte 11⅛ 90£	50	101⅞	101⅞	+0½	+0⅛	10.29
Thyssen 7⅞ 90 FL	50	102	102½	0	0	6.37
Wessanen 6¾ 90 FL	50	101⅛	102⅛	0	+0⅛	6.04
World Bank 11⅞ 95 £	100	102⅞	103¼	0	0	10.63
World Bank 13⅞ 92 A$	100	101⅛	102⅛	0	+0¼	12.79

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alberta 3 95	.0312	100.04	100.14	11/06	6.14
Alliance & Leic.Bld 94 £	.08	99.07	99.12	20/04	9.89
Belgium 91	0	99.79	99.89	19/02	6.69
Britannia 5 93 £	0⅛	99.65	99.70	8/04	10.06
Chase Manhattan Corp 91	0⅛	99.10	99.35	20/08	6.56
Citicorp 98	10⅛	97.75	98.00	27/02	6.63
Credit Lyonnais 5 00	0⅛	98.68	98.78	19/07	6.19
EEC 3 92 DM	0	100.03	100.10	20/02	4.19
Halifax BS £ 94	.1	99.34	99.38	6/05	8.97
Midland Bank 01 £	.1	97.51	97.61	9/05	8.91
Milk Mkt.Brd. 5 93£	0⅛	99.45	99.50	30/03	10
New Zealand 5 97 £	.07	99.35	99.45	16/05	11
New Zealand 5 01	0	99.16	99.26	4/08	6.31
Shearson Lehman Hlds 92	10⅛	99.40	99.65	6/05	7⅛
United Kingdom 5 92	0	100.03	100.09	7/04	6.31
Woodside Fin. 5⅛ 97	0	99.67	99.77	28/04	7.86
Woolwich 5 95 £	0⅛	99.40	99.45	19/05	10.62

Average price change... On day 0.00 on week −0.03

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02	10/87	62.	115	116	−0⅛	19.59
Alco Health 6¼ 01	7/86	26.25	86⅞	87⅞	−0⅛	34.92
American Brands 7⅛ 02	9/87	56.7	112⅛	113⅛	+0⅛	15.58
American Can Co. 5½ 02	4/87	66.75	90	91	−0¼	28.53
Ashikaga Bank 2⅞ 02	4/87	996.	111⅛	112⅛	+3½	2.72
Asics 5 92 DM	12/83	472.	158¼	159⅞	−2	2.31
CBS. Inc. 5 02	4/87	200.	113	114	+1½	4.01
Chiba Bank 2⅞ 02	1/87	830.	184½	186½	+1	3.64
Fuji Hvy Inds 3 08	8/85	676.	154¼	155⅞	+2⅞	0.92
Fujitsu 3 99	5/84	1109.	223⅞	225⅞	+12½	2.88
Gunma Bank 2⅞ 02	4/87	808.	129½	130½	+3⅞	−1.10
MCA INC 5½ 02 US	9/87	69.62	97¼	98⅛	−0⅛	−3.40
Minolta Camera 2¼ 94DM	2/86	1105.	97½	99	−0½	50.78
Mitsui trust 2⅞ 01	10/86	1990.	135	136⅞	+1	5.18
Murata 3½ 00	7/84	1998.	257	259	0	−7.23
Next PLC 5⅞ 03 £	11/87	4.3	107½	108½	0	31.56
Nippon Elec 2⅞ 00	1/85	1295.	342⅞	343⅞	+6⅛	0.28
Oki Elec Ind 3½ 99	10/84	805.	196½	198⅛	+8½	5.46
Omron Tateisi 2⅞ 02	4/87	1350.	174¼	175⅝	+10½	3.38
Redland 7¼ 02 £	1/87	5.5	109⅞	110¼	+0⅛	14.76
Yokohama Bank of 2⅞ 01	10/86	1045.	169½	171½	+9	7.81
W.R. Grace 6¼ 02 US	9/87	84.25	99	100	0	24.65

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Small investors in BP offer will fall short of gas float

BY RICHARD TOMKINS

THE NUMBER of UK small investors expressing an interest in this month's £7.5bn offer of shares in British Petroleum is set to fall well short of the number attracted by the smaller British Gas flotation last year.

With less than a week to go before the offer begins, the number of people who have registered with BP's share information office had reached 5.5m by late yesterday. That compares with the total of 7.5m who inquired about the £5.6bn British Gas offer in November 1986.

Although BP's share information office will stay open until the pricing of the offer is announced next Thursday, only those registering by midnight tonight will receive preferential treatment in the allocation. The rate of inquiry is therefore likely to fall off from tomorrow.

The Government's advisers estimate that the total number of inquiries will reach 6m. They say this is far ahead of their target figure of 5m and that they are delighted with the response.

Mr Michael Richardson, managing director of N.M. Rothschild, the Government's merchant bank adviser on the flotation, said the British Gas advertising campaign was considerably more expensive than BP's, ran for a month longer, and was pitched at a lower level. "The BP campaign was pitched at Sidney rather than Sid."

The 7.5m British Gas inquiries eventually translated into 4.5m applications. On that basis, Rothschild estimates that BP will attract about 4m applications from UK investors - a figure which will permit much larger allocations than in other recent privatisation issues.

About half BP's £7.5bn offering will be allocated to the fixed price offer to small UK investors. The other half will go into the international offering, for which UK and overseas institutional investors will submit bids at or above the fixed price.

If the fixed price offer is subscribed more than about twice, it will be expanded by about 20 per cent at the expense of the international portion.

The eventual size of the allocation to UK small investors could therefore far exceeed the £3.5bn worth of British Gas stock issued to the UK public.

●BP yesterday gave details of the £1.5bn rights issue which is to be incorporated into this month's £7.5bn share offering.

The company will be issuing 458.6m new ordinary shares on the basis of one for every 12 held. Buyers of the existing equity will qualify for preferential entitlement to the new stock if they make their purchases through normal market channels before 9am on October 15.

Arrangements are being made to extend entitlements to shareholders in the US, Canada and Japan, and in other countries where there no legal restrictions.

Platou predicts weekend victory in bid for TRNR

BY MIKE SMITH

Platou Investment, the unlisted Norwegian company, yesterday predicted a weekend victory in its bid to gain control of TR Natural Resources, a Touche Remnant investment trust.

It also warned that its cash offer for TRNR, which will provide shareholders with 94 per cent of asset value, would not be extended past the first closing day of the bid on Saturday.

Platou's statement, which accompanied a summary of its reasons for making the offer, followed TRNR's weekend rejection of its approach, which values the trust at £125m.

TRNR argues that shareholders who accept ordinary in Platou - they are being offered paper to a value of 95 per cent of asset value - will be taking an investment in a less well spread portfolio.

Acceptance of the cash alternative would expose many shareholders to capital gains tax liability, it says.

Mr Alasdair Dundas, one of the County Natwest team advising Platou, countered yesterday that capital gains tax would affect the minority of shareholders.

Platou already controls 29 per cent of TRNR's shares

Pearson family discusses Murdoch

By Raymond Snoddy

MORE than a dozen members of the Pearson family met yesterday in London to consider the implications of Mr Rupert Murdoch's purchase of a 14.7 per cent stake in Pearson, the publishing, banking and china group which owns the Financial Times.

The meeting at Pearson headquarters in the Millbank Tower was attended by Viscount Cowdray, chairman of the group from 1954 to 1977.

Family interests control about 20 per cent of the Pearson equity and form a significant block against hostile predators. The stake is, however, fragmented and it is believed that more than 80 members of the Pearson family share in the fortune, although the company declines to give the exact number.

Family shareholders in Pearson do meet from time to time but yesterday's meeting came in the wake of last week's warning from Lord Blakenham, the Pearson chairman, that new large shareholdings in the company were unwelcome.

Associates of Mr Murdoch, who owns five national newspapers in the UK, believe that the American-Australian publisher intends to raise his stake in Pearson to 25 per cent.

On Monday Financial Times journalists begin a campaign to try to secure the future independence of the newspaper should there be a change of ownership.

Letters will go to 3,000 industrial, business and political leaders arguing that in such circumstances the paper should be owned by a wide spread of institutions in the way that The Independent newspaper is.

Ben Bailey in black

Ben Bailey Construction, house builders and estate developers, climbed back into the black with pre-tax profits of £395,424 for the year to June 30.

Directors said certain of the group's accounting policies had not been properly applied in prior years, and the figures for 1986 had been adjusted.

The improved trading results over the past year had resulted in greater stability, they said.

Nick Bunker examines Lloyd Thompson's move to a full listing

The choppy course from the fjords

ONE OF those complex genealogies that typify the players in London's insurance market lies behind next week's planned elevation of Lloyd Thompson - a small, unquoted Lloyd's broker - to a full Stock Exchange listing.

An old adage says that insurance brokers are "people businesses". In the case of Lloyd Thompson - shares in which are due to start trading on the main market on October 16 - the people involved arrived by varying routes via some of the key London-based proving grounds of the broking world.

Yet at a time when the broking sector is expecting difficult years ahead, all the signs are that they will have to be on their mettle to maintain the rapid growth that has seen Lloyd Thompson's group revenues more than quadruple to £11m since 1983. Pre-tax profits have gone up from £1.74m in the year ending June 1984, to £3.16m in the 12 months to June 30 1987.

The group is coming to the market via an institutional placing of 5.8m shares - 22.6 per cent of the total - by Hill Samuel, the merchant bank, with Wood Mackenzie and Kitcat & Aitken as joint stockbrokers. Priced at 170p per share, the placing values the whole group at £43.7m on a historic p/e of 18.3. As part of the placing, the group is issuing 1.4m new sheres, and raising £1.9m partly to finance purchase of a mainframe computer system.

Lloyd Thompson's people include Mr Ken Carter, who joined the group last year as chief executive for a basic salary of £150,000 a year, plus a minimum annual bonus of £85,000. Until March 1986, he was the right-hand man of Mr Michael Butt in running UK-based international insurance broking for Sedgwick, the industry's British giant.

He found at Lloyd Thompson a specialist business, started in May 1981 by six former executives with other insurance brokers, including Mr Peter Lloyd, the current chairman, who came from Alexander Howden. Its original forte was arranging insurance and reinsurance first for the hulls of Norway's merchant ships, and then also for Norwegian oil and gas drilling platforms.

Ken Carter, chief executive of Lloyd Thompson

Now, with 136 employees and about 200 clients - the biggest of which accounts for about 14 per cent of its income - the group reckons it is involved at some point in placing insurance for 40 per cent of Norway's ocean-going fleet.

Therein could lie a problem. Another marine broker - Steel Burrill Jones - graduated from the unlisted securities market to a full listing in 1985. But after several boom years, SBJ has been hit in the past six months by three factors - mounting expenses, a weak dollar, and failing marine premium rates - which cut its pre-tax profits by 12 per cent in the first half of this year. One view is that some of those same problems could also lie in store for Lloyd Thompson, because of its partial reliance on marine, oil and gas insurance business.

There is excess capital available worldwide for shipping and energy insurance underwriting, at a time when demand is sluggish because of the world shipping recession and low levels of oil and gas exploration. This situation has already prompted warnings from Lloyd's marine underwriters about the appearance of rate-cutting.

To these points, Mr Carter - a persuasive talker - has a battery of answers.

First, he says: "There is no single class of business on which we are reliant." Hull insurance made up 17 per cent of the group's brokerage income last year, and marine reinsurance another 20 per cent. The biggest class - energy-related business - accounted for 29 per cent.

Mr Carter says that Lloyd Thompson some time ago saw the need to spread its business to dampen the adverse impact of insurance cycles. Last week, it emerged that the group was involved in a legal row - since resolved by mutual agreement - with Hogg Robinson & Gardner Mountain, another broker, over Lloyd Thompson's plans to hire away 17 "political risks" staff from Hogg. But, more successfully, Lloyd Thompson moved into North American property insurance broking in November 1984.

In fact, premium ratas for North American property have also been on the way down since late 1985. Lloyd Thompson replies by pointing to its track record of expanding by acquiring new clients.

Mr Carter also makes big claims for the boost to employee motivation given by Lloyd Thompson's ownership structure - since 72 of the staff are shareholders.

CRH expands its US operation

BY FIONA THOMPSON

CRH, the Dublin-based building materials group, formerly known as Cement Roadstone Holdings, has acquired the US company Big River Industries of Baton Rouge, Louisiana for $22m cash (£13.41m).

It is CRH's seventeenth US acquisition. The first purchase was made in 1978.

Big River has manufacturing plants in Louisiana, Alabama and Georgia. It produces lightweight aggregates used principally for making concrete masonry and structural lightweight concrete. In addition, it markets fly ash, a coal-fired power generation by-product, and lightweight asphalt.

For the year ended September 30, 1986, Big River reported trading profits of $4.3m on sales of $23m. The company has debts of $3m, which CRH has assumed.

CRH is committed to an immediate major expansion of Big River's Alabama manufacturing plant to take full advantage of growth opportunities for its products. The additional capacity is expected to come on stream during 1988.

With access to rail and water transport, the company can distribute economically to Florida, Illinois, Minnesota, New York, Texas, the Carolinas and Virginia, in addition to its home states.

Mr Tony Barry, CRH's chief executive designate, said: "This purchase further expands CRH's already substantial presence in the US, which generated 38 per cent of group trading profits in 1986."

More than 70 per cent of CRH's profits will come from outside Ireland this year, up from 63 per cent last year, and this figure is expected to grow. The building sector in Ireland has been in decline over the past six years after very heavy growth in the 1970s. But business is strong in CRH's other markets of the UK, US, Holland, France and Spain.

Citystep M & G stake

The financial services group, Britannia Arrow, holds 3.5 million shares (4.65 per cent) in M & G, one of Britain's largest unit trust groups.

Discovery of such information concerning companies in the financial sector, which is proving a happy hunting ground for genuine and speculative bids, is sufficient to set the share rising and M & G's price duly rose 21p to 413p.

The holding is held by Citystep, an investment holding subsidiary of Britannia Arrow. It was acquired last December when Kleinwort Benson cut its stake in M & G from 42 per cent to 4 per cent by a public offer of the shares being disposed.

Thorn EMI buy

Thorn EMI is buying JEL Energy Conservation Services for an initial consideration of £6m in cash and shares to be followed by a further maximum of £4m depending on the company's profits in the next two years. In 1986, JEL made pre-tax profits of £185,000 on £5.4m sales, and its net asets at the end of the year were £1.4m.

Walker Greenbank up by 30% to £2.4m halfway

BY PHILIP COGGAN

Walker Greenbank, the fast-growing industrial conglomerate led by Sir Anthony Jolliffe and Mr John Pither, achieved a 30 per cent increase in pre-tax profits in the 26 weeks to August 1. However, its largest acquisition, Wallcoverings, bought for £32m in August, did not make a contribution to these figures.

Sir Anthony said last year that he hoped to build a £200m group within three years and Walker Greenbank is well on the way to his target with full year sales likely to be greater than £100m. The company's new target is for turnover of £1bn within five years - of which £400m will represent the enlarged existing businesses, £200m will be sales in the US and £400m will come from acquisitions.

During the first half of the year, the company made three acquisitions for £8.2m - and their results have been included on a merger accounting basis. Pre-tax profits were £2.37m against an adjusted £1.83m with diluted earnings per share up 24 per cent to 2.56p (2.06p).

There is an extraordinary debit of £129,000 relating to closure costs and a further £323,000 relating to acquisition costs.

Sir Anthony said that he viewed the prospects for the full year "with considerable confidence". The interim dividend is being set at 0.6p: last year, before the companies were merged, Walker did not pay an interim and Greenbank paid 0.9p.

●comment

Now Sir Anthony Jolliffe is getting closer to his dream of an industrial conglomerate, the broad shape of the group is beginning to become apparent. Engineering will be less important than hitherto - probably down to 15 per cent of turnover in a year or so - and instead the emphasis will be on consumer-related industrials like Wilcomatic - carwashes - and Wallcoverings. Had the latter been included in these figures, profits would have been more like £4.8m and that makes £10.5m look achievable for the full year. Alkar, the supermarket shelving group, saw profits more than double and already looks a bargain buy. The next move is likely to be in the US and as long as Walker can continue to make acquisitions that improve earnings, the prospective p/e of just under 20 - a premium to the market - will be deserved.

Austin Reed 46% midway rise

BY ALICE RAWSTHORN

Austin Reed, the clothing manufacturer and retailer, yesterday announced a 46 per cent increase in pre-tax profits to £2.6m for the first half of the year on turnover which rose by 14 per cent to £33.9m.

Mr Barry Reed, chairman, anticipated further growth in profits for the full year, but he warned that the pace of growth was likely to slow down.

The group paid £896,000 (£631,000) in taxation for the 28 weeks to August 15. Earnings per share rose to 6p (4p). The interim dividend is raised to 3p (2p).

The Austin Reed retail business now embraces 45 shops in the UK and two in Holland. The group is now in the throes of refurbishing its UK shops. So far eight units have been remodelled, and the refurbishment will be completed within the next three years.

Although many of its fellow clothing retailers suffered from inclement spring/summer weather in the first half of the year, the group's sales of men's and women's wear rose healthily. Sales so far in the second half are keeping pace with budgets.

All four businesses within the wholesale division - Chester Barrie suits, Stephens Brothers shirts, Austin Reed International suits and Robertson knitwear - fared well.

The reorganisation of Robertson is now completed, the production plant has been restructured and a new senior management team is in place.

The construction of an extension to the Austin Reed International factory is now finished. The extension, which will more than double capacity at the plant, is now being equipped and should come on stream in spring next year.

In July the group acquired Cashmeres of Scotland, a chain of four small specialist knitwear shops in the US. It intends to evaluate the progress of the chain over the next six months and may then open new Cashmeres shops in the US and in the longer term overseas.

●comment

For years Austin Reed has been tarnished by the unenviable image of being one of the stodgier stocks in the retail sector. A poor performance from its retailing interests left manufacturing as the powerhouse of the group. An imbalance reflected in its lowly rating. Two years ago Austin Reed treated retailing to a rationalisation and refurbishment programme. The benefits have now begun to filter through and the shares have soared in response. The chairman's caution of more modest profits growth - wholly reasonable given that these interims compare with a particularly poor performance last year - failed to dampen enthusiasm for the shares yesterday. Modest growth notwithstanding, the City was inspired to increase profit projections for the present year to £7.8m. This puts the 'A' shares on a prospective p/e of 15½. Undemanding, given that the expansion of Austin Reed International bodes well for the following year.

Abaco in £1m buy

Abaco Investments, financial services group, has bought David Bedford, estate agents of Bury St Edmunds, for £1m. The consideration was £550,000 in cash and the issue of 492,340 ordinary shares at 91.4p.

David Bedford made adjusted profits before tax of £103,000 on turnover of £283,000 in the year to July 31. Net assets at that time were £54,000.

LET meets expectations with doubled profits

BY PAUL CHEESERIGHT, PROPERTY CORRESPENDENT

London and Edinburgh Trust, expanding property development group, more than doubled pre-tax profits in the first half of 1987 and declared an interim dividend 25 per cent higher.

The market had been expecting sparkling figures and the profits increase had been discounted. Yesterday the immediate response of the share price was sluggish.

On the back of sharply increased turnover, reflecting the higher speed of activity across the group's development and trading interests, pre-tax profits rose to £15.58m in the six months to June, against £6.9m in the same period of 1986 and £15.1m for the full year.

Earnings per share, fully diluted, were 5.5p, a rise of 52 per cent on the 1986 first half. The interim dividend declared is 0.75p. Full payments for 1986 were 1.6p.

LET has been seeking to build a stronger stream of rental income through acquisitions, including the Bull Ring Shopping Centre in Birmingham and an office block on London Wall in the City of London.

Such properties, which have obvious redevelopment possibilities, are immediate revenue producers and helped net rental income to rise to £2.47m, more than doubled the level of the 1986 first half

Mr John Beckwith, chairman, noted yesterday that the group has its largest-ever development programme and that this should show through in terms of rental income in about two years time.

But the higher level of development also had an effect on interest payments which at £3.46m was almost four times higher than the June 1986. On the other hand, interest receivable was also four times higher at £5.01m.

The results fit into an established pattern. Between 1982 and 1986 earnings per share showed an average annual compound increase of 67 per cent. The company indicated that the performance of the second half would be an extension of the first half.

The second half had started well, it said.

•comment

Formal figures from companies like LET only give a portion of the picture because of the interests tucked away in associates that do not appear in the balance sheet. But the tactics of the group are clear. It has been seeking to increase both cashflow and assets through acquisition and the completion of a development programme which is spread across all sectors but is especially strong in the retail sector. By the end of the year the audited balance sheet should show a 50 per cent increase in the net asset value per share to around 100p. The buoyancy of the property market should ensure that the revenue flow in the second half matches that of the first. Continental activities should make a significant contribution from 1988 onwards and new ventures in Hoing Kong from about 1990. The immediate prospect is for full year pretax profits of around £31m to give earnings per share of 10.8p, which would put the shares on a prospective p/e of about 18.5.

Unigroup asks for suspension at 173p

BY FIONA THOMPSON

Shares in Unigroup, the Essex-based timber, building materials and clothing group, were suspended at 173p yesterday at the company's request pending an announcement.

Mr Keith Heward, Unigroup company secretary, said the announcement would be made as early as is practical, "within the course of the next few days".

Unigroup was formed in 1985 from what was the womens' clothing manufacturer, UU Textiles. In May this year it acquired C W Brown, which manufactures and markets air curtains under the name Thermoscreen, for £3.4m cash, to be raised through the issue of 3.75m 7½ convertible preference shares at 100p a share.

At that time it was reported that Thermoscreen was a cash-rich company, the acquisition of which would result in the elimination of nearly all of Unigroup's borrowing.

In February this year Unigroup acquired full control of Golden Pharos, a Malaysian company

To take advantage of tax concessions for export industries, Unigroup then established a wholly-owned Malaysian subsidiary, Fairhaven, which acquired Golden Pharos.

US growth boosts MIL Research

BY DINA MEDLAND

MIL Research Group, one of Britain's leading market research companies, saw pre-tax profits rise 20 per cent to £654,000 (£544,000) on turnover of £6.25m (£5.24m) for the half-year ended July 31, the company announced yesterday. Earnings per share rose to 4.9p (2.4p).

"We are doing well, but the second half is always better," said Mr Rudy Goldsmith, chairman, pointing to the seasonal nature of the market research business. In the last year the first six months accounted for a third of the yearly profits, he said.

MIL more than doubled pre-tax profits in the year to end-January to £1.61m - above its forecast of £1.55m - and acquired a full listing late last year.

The company has declared a tax charge of £161,000 for the half-year, down from £267,000 in the same period of 1986, thanks to carrying forward prior losses incurred in creating a hospital technology audit through its Chicago subsidiary. *Not all of* the losses will be used up this year.

"Over 50 per cent of our profits in the first six months are from the US despite adverse exchange rate fluctuations and we are very confident of our work there," said Mr Goldsmith. He described Market Measures, the US health care market researcher acquired this year, as "progressing well."

Profit margins are higher in the US than in Europe, he said, because multiple client work is possible to a much greater degree. MIL is currently looking at "five or six" possibilities for acquisition in the US, and one in Europe.

Earlier this month it bought Market Research Enterprises, a company specialising in market research by telephone interview, for £900,000 in cash and MIL shares. Mr Goldsmith expects a "substantial additional profit" as a result of the purchase.

The interim dividend is 1.1p *(nil)*.

Willaire Systems buys computer manufacturer

Willaire Systems, USM-quoted maker of environmental control equipment, boosted taxable profits by 65 per cent from £80,000 to £132,000 on turnover up from £1.96m to £2.38m in the first half of 1987.

It also revealed that it has agreed to buy **Walters International**, a UK manufacturer of low-cost IBM-compatible computers, for a basic consideration of £2m. Further consideration of up to a maximum of £5m may become payable if aggregate profits for 1987 and 1988 exceed £1m.

In 1986 Walters made taxable profits of £80,000. At the year end it had net assets of £73,000. In the first six months of 1987 it showed profits of £281,000. Willaire has arranged a vendor placing of shares through Chase Investment Bank to provide the vendors with £2.3m cash on completion. The shares will be placed at 30p each and there will be a clawback facility for existing shareholders.

Willaire paid tax of £15,000 (£17,000) after which earnings per 2p share rose from 0.14p to 0.24p.

Willaire directors said that the full year resultwould reflect a profit contribution from acquisitions as well as from continued developments within the established businesses.

Since the group had embarked on a programme of significant expansion, the directors said that they would determine a dividend policy once the results for the full year were available. Last year it paid a single 0.1p.

Ruberoid profits up 15% to £2.8m in first half

Ruberoid, the roofing materials group, continued its growth in the first half of 1987 with an increase of 15 per cent in pre-tax profits compared with a 5 per cent improvement in turnover.

Profits rose from £2.41m to £2.78m and turnover from £58.15m to £60.85m; tax took £1.05m (£1.01m), minorities were£226,000 (£109,000) and there was an extraordinary profit of £567,000 (nil) relating to the sale of the foundry chemical activity of the wholly owned subsidiary.

Earnings, excluding the extraordinary item, were up from 2.98p to 3.47p. The interim dividend is 0.9p compared with an adjusted 0.8p.

In September August, Ruberoid paid £6.2m for a 75 per cent stake in Nebiprofa, a Netherlands based company which manufactures and sells roofing products, and the directors said the company will continue to look for attractive aquisitions in the UK and elsewhere. It now operates in UK, Ireland, Belgium, Holland and France.

Goodwin losses

The hoped for improvement in profitability of **Goodwin**, engineers and metal processors, during the second half of 1986-87 did not materialise and the company incurred a £133,000 loss in the year to April 30 compared with a profit of £561,000 for the previous year.

The dividend has been halved to 0.4p per 10p ordinary.

Turnover was down from £9.92m to £8.4m.

Quadrant up 55%, seeks acquisitions

Quadrant Group, photographic and video distribution service group, increased pre-tax profits by 55 per cent from £631,000 to a record £980,000 on turnover up from £13.6m to £16.4m for the six months ending August 31 1987.

An interim dividend of 1p (0.8p) was declared and earnings per 10p share increased 41 per cent to 6.01p (4.26p).

Tax amounted to £190,000 (£88,000) and attributable profit £745,000 (£467,000). Mr Jeremy Peace, chairman, said that the first half of the year had been one of significant development, with the company having graduated from the USM to a full listing. At the same time, the name of the company had been changed from Sangers Photographics to Quadrant, reflecting the wider scope of the company's activities.

Among the half-year highlights, SVS had been awarded a contract by ILEA to supply its schools and colleges with video equipment, while Monument, acquired in July, now serviced more than 850 estate agents from its central processing facility.

The group's range of products and services had been further enhanced with the recent acquisitions of Jared Edwards Photographic, Telephone World, and Western Sound Visual.

Mr Peace said the group had now established a sound base with strong cash-flow offering considerable opportunities for further growth both organically and through acquisition. Trading performance within the companies remained strong and he looked forward to a successful outcome to the full year.

Deltight boosts Tyzack

Taking in an acquisition, the **Tyzack Turner Group** of engineers achieved turnover of £7.04m and a pre-tax profit of £355,000 in the half year ended June 30 1987.

The original business has been rationalised following the losses for the five months ended December 31 1986. It made a useful contribution to the half year although some reorganisation benefits have yet to emerge.

Deltight International, the acquired company, showed further improvement in profitability from the core business (industrial fasteners) and also benefited from the aquisition of the washer operation.

Adjusted comparisons for the 1986 period showed turnover of £6.23m and profit of £280,000. The group changed its financial year end and the last accounts presented covered the five months ended December 31 1986, and produced a loss of £342,000. No dividend was paid for the period.

For the first half of 1987 an interim dividend of 1p is declared, and is being compared with the similar rate actually paid for the six months ended January 31 1986.

In August Tyzack acquired United Packaging for nearly £10m, funded by a share issue which lifted the capital by around one-third.

Silvermines pulls out of the red

Silvermines, the Dublin-based investment holding company, has made a rapid recovery to a I£1.56m (£1.42m) pre-tax profit for the half-year to June 30 1987.

This compares with a I£1.66m loss for the corresponding period last year caused by the sudden and severe downturn in the oil and gas exploration and production industry. The loss for the year was I£2.33m.

Turnover amounted to I£4.74m (nil). An increased interim dividend of 1.5p (1p) was declared and earnings per share were 6p compared with a loss per share of 12.46p.

The directors said that the group's engineering and technology division performed well with sales amounting to I£4.7m and a contribution of I£503,000 to group profits.

Sales for the second half were ahead of budget and it was the directors' intention to expand group engineering interests through further acquisitions.

Prospects for the group's natural resource developments had improved greatly this year. These investments, which were written down at the end of 1986, contributing substantially to losses, had since appreciated considerably in value.

William Baird in £300,000 purchase

BY FIONA THOMPSON

William Baird, the London-based textile and engineering group, yesterday announced the £300,000 acquisition of Willowfinch, the supplier of ladies' blouses and knitwear, mainly from the Far East.

Willowfinch, based in London, sells its collections to major multiple retailers, including C&A which accounts for 70 per cent of its sales, and mail-order houses such as Freemans. In the year to July 31, 1987, Willowfinch reported pre-tax profits of £110,000 on turnover of £2.25m.

Baird is to pay £250,000 in cash and the balance by the allotment of 9,260 new ordinary shares of £1 each. Further consideration will become payable in autumn 1988 equivalent to the pre-tax trading profit for the year ending July 31, 1988.

Baird last month reported a 28 per cent rise in pre-tax profits for the first half of 1987, up from £6.2m to £7.97m. Sales were £121.47m against £111.18m.

Druck profits advance by 15% to £2.7m

Pre-tax profits of **Druck Holdings**, engaged in the manufacture and sale of electronic measuring devices, increased 15 per cent from £2.32m to £2.67m in the year to June 30 last, compared with a gain of 23 per cent from £10.19m to £12.51m in sales.

The reason for the lower margins - pre-tax to sales they were 21.4 against 22.7 per cent - was, said Mr John Salmon, chairman, due to the continued weakening of the dollar (US dollar turnover was 49 per cent up), a large increase in distribution costs and further large investment in plant and buildings.

Earnings of this USM quoted company, however, advanced 29 per cent to 26.2p (20.3p) due to a lower proportionate tax charge £1.02m (same) and the total dividend goes up from 4.4p to 5.2p with a proposed final of 3.2p.

On the future, Mr Salmon said that with this type of instrumentation company where different technologies were empoloyed, products evolve from years of specialised experience of markets and applications.

This applies especially to the long term projects and programmes with which the company was involved. From this viewpoint the directors were becoming more confident regarding the medium and long term.

In the short term they were confident of further progress during this year especially since orders were up compared with the same period last year and there was about five months work in hand.

Singapore Rubber

Singapore Para Rubber Estates, which is involved in the production of natural rubber and oil palm in west Malaysia, improved pre-tax profits by 27 per cent in the half year ended June 30.

On turnover ahead from £285,675 to £296,222 the pre-tax result came out at £60,035 against £47,414. Directors said the rubber crop for the first half year had been in line with expectations although the crop of oil palm fresh fruit bunches had been slightly below the anticipated level.

Prices of both commodities had improved compared with last year. Since the end of June rubber prices had continued to improve while palm oil prices had remained at about $340 per tonne, a welcome increase over the low of $180 last July, they said.

After an increased tax charge of £25,000 (£17,000) earnings per 5p share worked through at 0.34p (0.28p).

IBL holds discussions on offer

BY RICHARD TOMKINS

IBL, the computer-leasing group troubled by a recent poor financial performance, yesterday said it was in talks with another company which could lead to an offer being made for the whole of its equity. Its shares closed 3p up at 59p.

The most strongly favoured candidate as a bidder is Dataserv, a US-based computer lessor which was itself taken over by BellSouth, the US telecommunications giant, last year. Other possible bidders include Inspectorate Internationale, the Swiss conglomerate which took over United Leasing, the UK computer lessor, in April.

Atlantic Computers, the only other remaining UK-quoted computer lessor, seems unlikely to emerge as a candidate because of the death of its chairman and chief executive, Mr John Foulston, in a motor racing accident last month.

IBL's main business is the supply of IBM mainframe computers and larger mini computers on operating leases. The larger part of its turnover comes from The Netherlands, West Germany, France, Italy and the UK.

In June this year nearly a third of its market capitalisation was wiped out when it announced pre-tax profits for 1986 of only £4.5m, about £5m to £6m less than expected. Its balance sheet for the year revealed a debt equity ratio of well over 200 per cent.

The company said yesterday that after this adverse reaction to its results it had encountered difficulties with certain of its UK bankers in maintaining an appropriate level of borrowing facilities. It was therefore discussing the replacement of these facilities or a takeover by another company.

The computer-leasing sector has been dogged for some time by a low City perception of the quality of its earnings. If IBL succumbs to a bid, the membership of the quoted sector will have shrunk from five to one in just one year. Comcap was taken over by Atlantic Computers in April.

IBL expects to make another announcement about its future shortly.

Aberdeen Steak pays out-of-court settlement

By Philip Coggan

Aberdeen Steak Houses Group, the USM-quoted restaurateur, has settled its dispute with the group of workers and ex-workers alleging underpayment at its West End outlets. The company recently said in its annual report that it would "vigerously contest" such claims.

Aberdeen has agreed to pay £38,000 in full and final out-of-court settlement for the claims of an unspecified number of workers plus a contribution to legal costs.

Judgement had already been awarded against Aberdeen Steak Houses in the High Court in respect of the claims of six workers, who were awarded a total of £4,000, with the company paying a further £5,000 into court in respect of the claims of another ten members of staff.

Shortly afterwards, two of the company's non-executive directors and its brokers Fiske & Co resigned, saying their decisions were connected with the court case.

BET's £12.8m deal with Reckitt & Colman

BY DINA MEDLAND

BET, international services company, has bought Reckitt Cleaning Services, the UK cleaning business of Reckitt & Colman, manufacturer of food, toiletries and household goods, for £12.75m cash.

The acquisition will add approximately £23m in turnover to BET's contract-cleaning operations, bringing the annual UK total to more than £120m.

BET raised its pre-tax profits by 26 per cent to £157m (£125m) in the year to March 31, with a 16 per cent increase from 17.1p to 19.9p in earnings per share.

RCS will be merged with Initial Contract Services, BET's industrial services company. This was formed from last year's integration of Initial Service Cleaners with the cleaning operations BET absorbed through its acquisitions of HAT and Brengreen.

The acquisition will "help to consolidate our position in a highly competitive market where we believe we have substantial growth prospects", said the directors.

M. Brown attacks S&N arguments

Matthew Brown, the Blackburn brewer, yesterday attacked as "extraordinary" the commercial arguments put forward by Scottish & Newcastle Breweries to support its £194m takeover bid.

Brown's prospects as an independent regional brewer were "still far brighter than if it became submerged under a national brewer," said Mr Patrick Townsend, chairman, in a letter to shareholders.

Shepherd Neame up 19%

Shepherd Neame, independent Kent brewer, lifted pre-tax profits by 18.5 per cent to £2.83m in the year ended June 30 compared with a previous £2.39m. Turnover rose from £17.26m to £19.3m.

There had been an overall increase in beer sales of 7.7 per cent, Mr Robert Neame, the chairman, reported. It was particularly encouraging, he said, that the tied, free, take-home and export sectors had all contributed to the increase.

The directors are recomending an increased final dividend of 13.5p (11p) making a total of 17.5p (14.25p) for the year.

General Accident

General Accident, the insurance company, has bought four more estate agents with a total of 14 offices. This takes its fast-growing network to 368 offices.

Erskine House makes £0.5m acquisition

By Dina Medland

Erskine House, acquisitive office equipment group, has bought Western Bureau Business Equipment, which distributes and services Canon photocopiers and electronic office equipment from its Worcester base, for a maximum of £500,000.

The purchase price is payable in two tranches and dependent on pre-tax profits of at least £110,000 in the year to July 31 1988. The first tranche of £310,000 is being paid by £186,000 in cash and the issue of 39,532 shares at 314p.

Western Bureau made a pre-tax profit of £62,081 on turnover of £798,130 in the year to July 31.

Earlier this month Erskine House bought West London Copiers & Supplies for an initial payment of £1.8m in a vendor placing.

Unit Group request

Unit Group, the Third Market-quoted Warrington-based manufacturer of timber pallets, has requested the Stock Exchange to resume dealings in its shares, suspended at 140p since June. The company said that it had been unable to agree terms for a substantial acquisition.

American Plastic Technologies to join USM valued at £11.7m

BY DAVID WALLER

American Plastic Technologies, an Ohio-based plastic injection moulder, is to join the Unlisted Securities Market in the fourth of a series of complex schemes put together by Mr Christopher Mills and Mr Mark Vaughan-Lee, financiers associated with fund managers MIM.

In its present form, APT is a recent creation, born out of the merger of a private oil company owned by investment trusts managed by MIM with Sajar, a family owned plastic injection moulder based in Ohio.

It will come to the market by way of a placing of 30.6 per cent of its shares, to be executed today by Barclays de Zoete Wedd, giving it a market capitalisation of £11.7m at the placing price of 61p a share. The MIM-controlled funds will own 59 per cent of the equity.

Mr Mills and Mr Vaughan-Lee have specialised in exploiting discrepancies between tax laws in the UK and the US. Up to now this has taken the form of matching up "shell" UK companies with US tax losses with profitable US companies, but the APT deal is the first transaction where they have not made use of an existing UK shell.

Sajar moulds custom designed plastic components for the white goods, business equipment, bathroom and kitchen fittings and heavy truck industries. Pre-tax profits have grown from $530,000 (£327,000) in 1982 to $2.4m forecast for 1987. Turnover was $23m last year.

Too small for a flotation in the US, and yet ambitious for growth in a highly fragmented market, it now hopes to benefit from the $9m tax losses inherited from 117 Oil and Gas, the MIM controlled company which has been divested of its oil interests. Mr Vaughan-Lee, who will be chairman of APT, said that Sajar would enjoy a "supercharged cash-flow" as it would be exempt from paying US Federal Tax until the tax losses were exhausted.

American Business Systems is from the same stable, a USM-quoted photocopier distributor born out of New Court Natural Resources, an oil company. American Electronic Components - with a similarly hybrid ancestry - has recently been taken over by the Burgess Group, but an attempt to merge Sapphire Petroleum with a US payroll company has recently been aborted.

Westpool Investment sells Pentos stake for £11.3m

BY FIONA THOMPSON

Westpool Investment Trust said yesterday it had sold its entire stake in Pentos, the publishing, retailing and property company.

Westpool said that "after a long and happy association with Pentos", it has placed its entire holding of 4.45m ordinary shares and 1,166,156 deferred ordinary shares in Pentos at a price which represents a discount of less than 3 per cent of the middle market price. The total consideration amounts to approximately £11.27m.

Pentos shares closed 1p up yesterday at 174p.

Pennant closes Country and New Town bid

The Australian-controlled Pennant group yesterday closed its offer for Country and New Town Properties after gaining acceptances for 23.97 per cent of the shares. It had already bought a 43.98 per cent stake from British & Commonwealth Holdings and purchased another 6.17 per cent in the market.

It has now reduced its total holding to 65 per cent with a placing at the offer price of 197p, 1p below yesterday's closing market price.

Stanhope oversubscribed

BY DINA MEDLAND

THE OFFER-for-sale of Stanhope Properties, the property development company headed by Mr Stuart Lipton which is joining the Unlisted Securities Market, was oversubscribed when it closed yesterday, S G Warburg announced.

The offer for sale, which valued the company at £200m, was by way of tender of 11,111,060 ordinary shares of 25p each in the company. Details of the striking price and of the basis of allotment will be announced today.

Photo-Me boost

The year ended April 30 1987 saw a rapid acceleration in the growth of Photo-Me International, manufacturer and operator of photographic booths and personal identification systems.

Turnover rose 16 per cent to £65.8m (£56.7m) while the pre-tax profit surged 38 per cent, from £6.9m to £9.5m.

A final dividend of 6p lifts the year's total to 8p (5.75p) against earnings of 83.73p (55.2p). The directors propose a 5-for-1 share subdivision (into 5p shares), a share option scheme for senior personnel, and a bonus share scheme for long term employees and advisers.

The directors said they looked with confidence to the future. New products were being developed to meet the growing demand for photographs.

Berry Birch tops forecast

Berry, Birch and Noble, the financial services and insurance broking company which joined the USM last October, increased pre-tax profits by 15 per cent from £476,809 to £546,151 on turnover up from £2.06m to £2.28m for the six months ending July 31 1987.

An interim dividend of 1.5p was declared against 1.4p indicated in the placing document.

Earnings per 10p share came to 5.5p (5.1p) after tax of £204,696 (£170,326). The results include those of the Etherington Group, purchased during the half year.

The directors said that the historical position of higher first half profits had now changed and they now anticipated a further improvement in the second half.

Helical Bar raising £18.9m

BY CLAY HARRIS

Helical Bar, the fast-growing property developer and investor, is to strengthen its capital base through an £18.9m placing and open offer of convertible preference shares.

The fund-raising, in the wake of a recent £60m borrowing facility arranged with Security Pacific, puts Helical in the position to grow rapidly to a much larger size. But Mr Michael Slade, managing director, said yesterday: "This is not gearing up for some major offensive at a property company."

Helical would continue to grow in small to medium steps. "The name of the game is to move where we believe the profits lie next year," he said.

From overwhelming reliance on a single City office development in Chiswell Street, Helical has assembled a diversified portfolio of provincial commercial and industrial property and undertaken residential projects in central London.

Mr Slade, whose salary of more than £1.1m in 1986-87 made him the second highest paid executive in Britain according to a survey published this week, also indicated that this notoriety would be short-lived.

His salary will fall to less than half that level in the current year as a result of a phasing out of a three-year commission agreement and to a fixed £300,000 in 1988-89. He has also been given a conventional package of executive share options.

Mr Slade was guaranteed 15 per cent of a subsidiary's profits when he bought into the company in mid-1984 (since when the share price has multiplied 1,000 times). Of his salary last year, Mr Slade said: "No one ever dreamed that 15 per cent would amount to that."

The share issue is Helical's first since 1984. Mr Slade emphasised that the company had avoided issuing equity to acquire property, but the capital base and cash resources now needed to be strengthened.

The 5.25 per cent preference shares, to be issued at 100p, will be convertible into ordinary shares from September 1990 at the rate of 25.65 for every 100 held, equivalent to a price of 390p, against yesterday's unchanged 348p. They were conditionally placed yesterday, subject to a clawback by ordinary shareholders on a one-for-one basis.

The issue follows the increasingly common pattern of including a stepped conversion rate if control of the company changes before July 1991. This feature was included at the request of institutional shareholders to compensate for the theoretical loss of income.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div	Total for year	Total last year
Bailey (Ben) ....fin	0.8	-	0.25	1.2	0.25
Berry Birch ....int	1.5	Nov 20	-	-	2.8
Druck Holdings§ ..fin	3.2	Nov 23	2.6	5.2	4.4
Goodwin ....fin	0.4	-	0.8	0.4	0.8
London Edinburgh int	0.75	-	0.6*	-	1.6*
Mil Research ....int	1.1	Nov 27	-	-	-
Photo-Me ....fin	6	-	4	8	5.75
Quadrant Group§ ..int	1	Jan 18	0.8	-	2.4
Reed (Austin) ....int	3	Dec 1	2	-	6.5
Ruberoid ....int	0.9	Nov 17	0.8*	-	3.5*
Silvermines ....int	1.5‡	Jan 4	1	-	2
Tyzack Turner ....int	1†	Jan 5	-	-	-‡
Walker Greenbank int	0.5†	-	0.9	-	2.4

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §Unquoted stock. ØThird market. ‡No dividend for five month period. ‡ Irish pence throughout.

TECHNOLOGY

Peter Marsh explains how a centuries-old Saudi dairy product has been adapted for the British market

Milking UK drink sales with exotic desert tastes

BRITISH scientific institutes have been called in to advise on the launch in the UK of a new yoghurt-type milk drink based on a centuries-old product consumed in huge quantities in the deserts of Saudi Arabia.

The drink, which in the Middle East is called Almarai laban, sells in Saudi Arabia in volumes worth £100m a year. Masstock International, a Dublin-based dairy-goods company which sells the drink in the Gulf through a subsidiary, aims within the next few months to launch the product in Britain, where it thinks annual laban sales could amount to some £30m.

Masstock is owned by two Irish brothers, Alastair and Paddy McGuckian, and has an annual turnover of about £300m.

It plans to make the product in the UK using milk from British cows, a strategy which has required extensive scientific tests by two UK scientific establishments - the Reading-based Institute of Food Research, which is run by the Agricultural and Food Research Council, and the applied biochemistry department at Nottingham University.

Between them, these groups have isolated and identified specific micro-organisms which act on milk from UK dairy herds to turn this, through fermentation, into laban.

The process replicates, although with a much greater accent on quality control, some of the chemical reactions which take place in the traditional way of making laban in the Middle East, where the milk is left in a goatskin bag for a prolonged period.

Richard Freeman, a scientist from Core, a consulting company based in Saffron Walden, Essex, which has helped Masstock with the tests, says the process engineered for the UK market is similar to that needed for butter milk. Details of the technique, together with the identity of the micro-organisms, are being kept secret on the grounds that they might help competitors.

Masstock's Saudi Arabian subsidiary - in which Prince Sultan bin Mohammed bin Saud al Kabir, a member of the Saudi royal family, has a one-third stake - has already incorporated scientific processes to make the product in volume in its Saudi plants. These are run on factory-farm lines, with cows kept cool by showers of water, and forage grown using modern irrigation methods.

Besides its Saudi activities, Masstock has dairy operations in China and the US. The company is also involved with arable farming and food exports.

Laban itself is a smooth, slightly viscous drink with a distinctive taste and a resemblance to runny yoghurt. It is also similar to other ethnic cultured-milk products produced in Asian countries like India.

Unique flavour

Comparisons with other drinks - especially yoghurt - do not go down well with Alastair McGuckian, Masstock's chairman. His brother acts as vice chairman.

Alastair, who set up Masstock in 1970 after a spell running a 500-acre beef farm in Northern Ireland, insists that the drink has a unique taste and is "a new experience." Noting that most yoghurt products sold in the West are flavoured, the Masstock chairman says that adding fruit essences and the like to laban would ruin its appeal.

If, however, sales of laban replicated those of yoghurt over the past decade the McGuckian brothers would be extremely pleased. Annual yoghurt sales, virtually zero in the early 1970s, have climbed to about £280m per year, double the figure of four years ago. Most UK production is from four companies - Unigate, which is part of Grand Metropolitan, Grand Chambourcy, owned by Nestle, Express Foods and Northern Foods.

Manufacturers have, however, had far less success with drinking-yoghurt(a form of product with a greater similiarity to laban) which is based on ordinary yoghurt but much less viscous. Efforts to introduce such drinks, which are normally flavoured, have been largely unsuccessful, according to John Pain, a marketing manager at Express Foods.

Annual sales of yoghurt drinks in Britain, in which the market leader is Yop, a product sold by Ireland's Waterford Foods, run to only about £5m, according to industry estimates. Other forms of drinking yoghurt include Ski Cool, which Express Foods introduced in May.

Pricing vital

In its plans for the UK, Masstock will either build a new laban plant, which would cost about £5m, or enter a partnership with an existing manufacturer of milk products to make and distribute the product.

According to David Shaw, a foods-industry analyst at Barclays de Zoete Wedd, a London stockbroking firm, a joint venture with a food-products concern already operating in the UK would be the better way for Masstock to proceed. He says this avenue would guarantee shelf-space in supermarkets, which might be denied to a company that was new to the market.

Masstock has hired Innovation Management International, a subsidiary of London-based Craton Lodge and Knight, to advise on UK marketing. Craton Lodge is a product-development consultancy specialising in the food industry. Its clients have included Cadbury Schweppes, Rank Hovis McDougall and Reckitt and Coleman.

An important point, analysts agree, will be how much laban sells for in the shops. Masstock has yet to decide on this - although the laban might be expected to sell for about 80p for a 750 millitre carton. Also on theagenda will be choosing a brand name for the product.

Taiwan plugs into low-cost IBM modem cards

BY BOB KING IN TAIPEI

DATATRONICS Technology of Taiwan has begun marketing low-cost and extremely-versatile plug-in modem cards for IBM personal computers and compatible machines.

The devices, which offer selectable speeds up to 2,400baud(about 800 characters per second), are Hayes-compatible and conform to both the American Bell and the European CCITT standards. They are fully automatic: that is, the modem registers the parameters of the system on the other end of the connection and adjusts its own parameters accordingly. The devices are also compact, measuring less than half the size of the so-called "long card" in IBM PCs and compatibles

In addition the company will introduce this month a new feature that should prove popular among people who use a single phone line for both voice and data communications. The modem will sense whether an incoming call is from a person or a computer. If a computer is ringing, the modem will answer the phone; if not, it will divert the call to the telephone set.

The modem will retail in various countries for the equivalent of US$100-$200, and is available to importers from the manufacturer at about $70 per unit, depending on the quantity to be supplied.

For Business Office purposes: Datatronics Technology Inc, 172 Nanking E. Rd, Section 5, Taipei 10572, Taiwan. TLX 28440 DTXMODEM. Tel: 886-2-768-6262 or 762-3202. FAX 886-2-764-0614. Contact: Steven Liu or Scott Liu.

Patent trends on show at Battelle

IN THE US, Battelle, the technology research group, has written personal computer software that allows corporate managers to use patent data to forecast technology developments, and to perform competitive analyses.

Called Patents-PC, the program can be used to track large amounts of patent data in order to find specific trends. For example, the types and numbers of patents filed per year in a subject, or the total of patents held by a particular company can be determined.

Battelle claims that early detection of innovation and new product development is possible. A licence covering the necessary IBM-PC software and patent databases costs $7,500.

US early warning of fluid leaks

A CABLE-BASED system able to sense leaks of fluids and solvents has been put on the market by Raychem, the US-based materials application specialist.

Known as Trace Tek 500, the cable is constructed with a central pair of sensing wires, surrounded by a sheath of conductive plastic. Fuels and solvents make the sheath swell, but the movement is inwards since outward motion is contrained by a outer layer of braiding.

The sheath touches the sensing wires, making electrical contact, and an alarm is activated. A measuring circuit electronically pinpoints the position of the hazard down the cable and shows it on a digital display.

Raychem is supplying a complete system containing an alarm module, cable and all the accessories needed for a complete installation.

Conference line from Bell Northern

IN CANADA, Bell Northern Research, part of Northern Telecom (NT), is developing a teleconferencing system designed to work over the integrated services digital networks (ISDN) that telecoms companies in Europe and North America are gradually introducing.

Unlike most present systems, BNR's makes no attempt to transmit moving pictures of the users' faces. Instead, the users, seated at their NT (or compatible) personal computers, are provided with high-quality voice linkage combined with high-definition document transmission.

Any conference participant can use a 300 dots per inch document scanner and transmit the image to the others. Electronic "pens" can be used on the PC screens to make additions to the documents. These changes will immediately be seen by other conference participants. They too, can make such additions. Alternatively, conference presentations can be prepared in advance using PC graphics software, and subsequent manipulations can be made by those taking part in the discussions.

Toshiba takes a 3-D view of TV

TOSHIBA, THE Japanese electronics group, has developed a camera-recorder (camcorder) that records and reproduces 3-D video colour pictures. To view the picture the TV viewer has to use a pair of special liquid-crystal spectacles.

The camera uses twin lenses to produce a stereoscopic pair of video signals which go on to the tape as alternate frames of left and right images.

At each moment of frame changeover, the spectacles are electrically switched in synchronisation, so that the left and right eyes only ever see left and right camera lens images, the opposite spectacle lens becoming opaque.

To avoid the need for higher capacity tape, the number of frames recorded is not doubled. Instead, 30 frames are used each second for left and 30 for right, to give the US/Japanese TV standard of 60 per second.

Normally, a frame rate of only 30 pictures per second gives a pronounced flickering effect, but Toshiba has overcome this with an electronic frame store which allows each picture to be shown twice to each eye. The company has not yet revealed its marketing plans.

Gestetner link with Australian printers

GESTETNER, THE UK-based office equipment group which made its name with office duplicators, is to enter the laser printer market.

Gestetner Laser Systems (GLS) is to be formed as a joint venture between the UK group and Impact Systems, the only Australian designer and maker of laser printers. GLS is to sell the printers in Europe and the US under the Gestetner brand name.

Impact Systems makes a range of laser printers based on semiconductor light emission technology, operating at eight, 15 and 20 pages per minute. The eight-page-per-minute LS800 model has gained some 40 per cent of the Australian desk-top laser printer market since its launch in 1985.

Impact attributes the success of its machines to a more powerful computerised controller than is found in competitors' models, giving more versatility. Furthermore, the printers will connect easily to IBM, Wang, and DEC computers.

Communicating on Tokyo's sewers

IF OPTICAL fibre cables could be laid in a city's sewage pipes the result would be an excellent communications network that would make possible connections to all the buildings.

The road would not have to be dug up for new cable runs, and niether would poles have to be erected.

The idea, around for years, has been easier to suggest than carry out. But, in Tokyo the sewage authority has successfully developed a robot which can navigate pipes with diameters as small as 25cm.

The system has three "carriages." The first, with an engine, places the cable along the top of the pipe, the second fixes it with metal fittings and the third, equipped with a TV camera, relays pictures of the work to the surface for inspection purposes.

CONTACTS: Battelle: US, (614) 424 7984, or in London on 493 0184. Raychem: UK plant, 0793 482138. Northern Telecom: London office, 493 3286. Toshiba: Tokyo, 457 2104. Gestetner: London, 387 7021. Sewer robot: contact Japan Information Centre, London on 493 6030.

COMMODITIES AND AGRICULTURE

Brazil solves aluminium problem

By Ann Charters in Sao Paulo

GOVERNMENT threats to suspend aluminium exports were removed Wednesday when aluminium producers and exporters met with the Government agency responsible for administering price control, SEST, and agreed to increase sales to the domestic market.

According to a source within the industry, the Government never actually suspended exports officially, but let the threat of a suspension leak to the industry in an indirect effort to force producers to supply domestic buyers. Primary aluminium is used in the auto industry and the household utilities industries.

Primary aluminium ingots under government price control for the domestic market were to be sold at US$1,000 per tonne, substantially under international market prices at US$1,800 per tonne. Complaints from domestic buyers that producers refused to supply aluminium at the controlled price provoked the threatened government reprisal.

As a result of the meeting this week, producers agreed to charge $1,200 per tonne for primary aluminium ingots, still below international prices. The new price resulted from a 20 per cent increase euthorised early this month by the Inter Ministerial Council on Prices to attempt to close the price gap slightly and keep supplies in the domestic market.

Although the increase is twice the normal CIP authorisation in August and September, companies are still under pressure to maintain exports to generate profits. The Government has tried to restrain increases to 10 per cent since a new inflation control programme was put in place in mid June. But as in previous efforts to keep a lid on prices, the Government provoked shortages and extra charges in the marketplace if prices fall too far out of line.

In 1986, domestic consumption of primary aluminium was 430,000 tonnes out of a total production of slightly more than 700,000 tonnes. If consumption this year reaches the previous domestic total, exports are likely to be 400,000 tonnes. Expectations are however that exports are likely to be higher, because industrial production for the economy as a whole has slumped this year reducing consumption of aluminium and other primary products.

Colombian coffee sales set record

COLOMBIA had record sales in the 1986-87 coffee year when it exported 12.03m bags of 60 kilos, against 11.5m bags in 1985-86 and 9.7m bags in 1984-85, Reuter reports from Bogota.

Mr Juan Camilo Restrepo Salazar, commercial director of the Coffee Growers' National Federation, said revenue from coffee exports in the year ending September was $1.6bn.

Ferruzzi fuels Italian ethanol controversy

BY JOHN WYLES IN ROME

A FIERCE row is developing in Italy over whether to deploy Europe's grain surpluses in the production of lead-free petrol.

Mr Raoul Gardini's Ferruzzi agri-industrial empire has stepped up its substantial lobbying activities in recent weeks in a bid to persuade the European Commission to back the production of bio-ethanol as a component for the lead-free petrols which will have to be introduced under the Community's environmental laws for the 1990s.

But his principal domestic opponent — Eni, the Italian state energy company — has hit back in the past week with a detailed memorandum to the Government challenging the economics, efficiency and alleged environmental virtues of bio-ethanol.

At the same time, Mr Adolfo Battaglia, the Industry Minister, has written to Mr Giovani Goria, the Prime Minister, requestion a formal government decision on whether Italy should be supporting the bio-ethanol case. His colleague, Mr Fillipo-Maria Pandolfi, the Agriculture Minister, has already spoken publicly in favour of EC backing for bio-ethanol production as a valid means of tackling the Community's 16m tonne grain surplus.

Mr Carlo Ripa di Meana, one of the Italian members of the Commission, waded into the debate this week with an article in Corriere della Sera warning that any move to create "another subsidised and, therefore, artificial market, risks handing on a silver plate a weapon to Mrs Thatcher and all those who want to hold up the financial strengthening of the Community."

Mr Gardini, who has an ethanol production plant in the US and has announced plans to build one in France, argues that bio-ethanol would be an attractive means of cutting the EC's 16m tonne grain surplus.

In the short term, he says, EC export subsidies could be redeployed to remove its competitive disadvantage with other possible petroleum mixtures. In the longer term he believes that technological progress will make bio-ethanol fully competitive.

Mr Franco Reviglio, the Eni president, disagrees violently and his company's memorandum argues that the petrol refining industry can produce lead-free fuel at a far more economic price that bio-ethanol could foreseeably offer.

He cites the consultants' report, hostile to bio-ethanol production, which reached the European Commission in the summer. It estimated production costs at Ecu 49 per hectolitre as against Ecu 13.7 for petrol. Mr di Meana adds that a Community equalisation subsidy would be double the cost of supporting the export of grain at world prices.

Following pressure from France, the Commission is expected to decide in the next few weeks whether to provide production subsidies. In the meantime, Ferruzzi is distributing reports of a speech Mr George Bush, the US vice-president, gave in Paris on October 1, extolling the American experience with bio-ethanol and arguing that it is already broadly competitive with petrol when savings in farm subsidies are taken into account.

Brazil's main cocoa area hit by drought

BY RIK TURNER IN SAO PAULO

BAHIA, BRAZIL'S main cocoa-producing region, has been hit by drought, leaving the state with an estimated crop this year of 4.7m bags (60 kg each) —almost 2m bags down on last year.

Without the comfort of high world prices—which slumped to near five-year lows this week—the drought's effects are beginning to be felt by the farmers, bean exporters and industrial consumers who make up the country's cocoa community.

Industry sources say that until recently the industrial users, who produce cocoa butter, liquor, powder and cake have been having the hardest time because of the drought.

The processing industry contracts to sell its products before it has the cocoa to make them, because their export contracts are longer term than those of the bean exporters. They have been having to buy the cocoa to honour export contracts and that has pushed up the premium paid to the farmers as high as 3 per cent over the international market price in recent months, according to Mr Joan Arthur Pereira de Maio, a director of the Salvador-based consultancy and brokerage firm Concilium.

However, the pressure on the processors has started to ease. "Now that the availability of the main crop is drawing near, the premium has gone down to 5 per cent," he added.

Trade observers now expect the main burden of the current slump in world market prices to shift to the farmers for the last quarter of this year, particularly as the main crop this this time will be concentrated into the months of October, November and December, with very little cocoa available in the first quarter of 1988.

"The industry is now less willing to compete at higher prices due to greater availability, while the exporters will be under pressure from the concentrated crop to sell while they can," commented one seasoned industry observer. He predicted that exporters would accept lower prices and would then pass the reductions on to the farmers in order to preserve their margins.

Rains delay Ivorian crop

BY NICHOLAS WOODSWORTH IN ABIDJAN

HEAVY, LATE rains have delayed the harvesting of Ivory Coast's cocoa crop this year, according to local market analysts here.

However, while the rains may cause slight damage to unharvested pods if current weather irregularities continue, the quality and size of the crop will only be marginally affected.

Low rainfall earlier in the year was responsible for originally retarding the cocoa season, causing the Ivorian Government to forecast a crop of 500,000 tonnes, well below the out turn of the previous two seasons.

Weather hits banana crop

By Canute James in Trinidad

DROUGHT FOLLOWED by heavy rains and hurricane force winds have reduced banana production in the Windward Islands, which account for two-thirds of UK consumption.

Hardest hit have been St Lucia and St Vincent, and industry representatives say the four islands in the group will this year ship less than the 206,000 tonnes of last year. The Banana Growers Association in St Lucia, the major producer in the islands, expects production this year to be 12 per cent below last year's 120,000 tonnes.

Production in St Vincent, totalling 40,000 tonnes last year, could be down this year by 50 per cent.

Indian summer saves harvest

By Hilary Barnes in Copenhagen

THE DANISH cereals harvest, threatened with disaster by continuous bad weather, has been saved by 10 days of Indian summer.

With virtually the whole harvest completed, the national plant-breeding office estimates that the yield will be about 7.3m tonnes, some 8 per cent lower than last year and almost 2m tonnes lower than the record yield of 9.28m tonnes in 1984.

Farmers can expect the combined harvest income to fall short of expectations by about DKr 2bn (£285m), however, partly as a result of high drying costs for corn.

Beef policy in delicate balance

"WHERE'S THE beef?" Walter Mondale's famous jibe at Democratic hopeful Gary Hart in the early stages of the 1984 US Presidential election campaign, is an appropriate question this month to aim at the European Commission.

For in spite of frustratingly high stocks, higher than anticipated budgetary expenditure, and a continuing imbalance (albeit declining) between supply and demand, there are no new proposals for immediate measures to stabilise the costs of this vital regime.

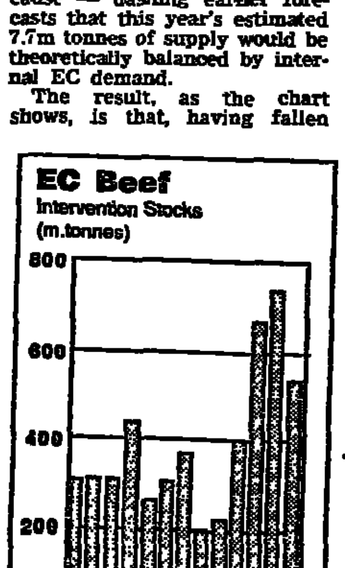
The Commission's official line is that no major changes are envisaged until the end of 1988, when Brussels will revive its long standing plans to simplify and cut the costs of the various premiums paid to producers and to limit furher the extent of guaranteed purchases of unwanted meat which provide the cornerstone of Community support. Its justification is that the crisis in the beef sector has aready been tackled with last December's decision by farm ministers to chop support prices by an effective 13 per cent and that when the dust settles from this and the accompanying cuts in milk quotas the market will be back under control.

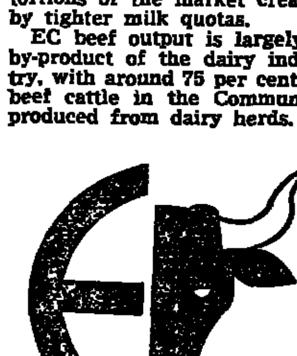
Privately, however, the view is gaining ground that if the underlying situation does not improve by the end of this year more urgent measures may be required, almost certainly in the context of next year's farm price package.

The reason is that while the milk quota cuts have had an unexpectedly rapid impact on the dairy industry, the simultaneous beef measurers have proved disappointingly slow in working their way through the system.

Officials had hoped that guaranteed EC beef purchases would by now be limited to two thirds of last year's levels (or 5,000 to 6,000 tonnes a week), but the average quantities currently piling up in Community stores have recently been in the 12,000 to 15,000 tonnes a week range. At the same time the increasing consumption trend appears to have slowed down over the summer — with competition from pork producers cited as a major cause — dashing earlier forecasts that this year's estimated 7.7m tonnes of supply would be theoretically balanced by internal EC demand.

The result, as the chart shows, is that, having fallen





In the sixth article of our series on European Commission plans to cut the spiralling cost of EC farm policies, Tim Dickson explains why there are no immediate plans for changes in the beef regime.

substantially last year on the back of some major beef sales to Brazil, stocks are now creeping up again and could soon exceed the 700,000 tonnes mark. No major export customers are currently understood to be in the market—the Soviets, for example, are likely to be more interested in wheat —so the chances are that the projected fall in the cost of the beef regime from Ecu 3.48bn in 1986 to Ecu 2.8bn this year (about 10 per cent of total agricultural spending) will prove to have been optimistic.

The Commission's decision to keep beef on the sidelines of the negotiations about to begin on agricultural stabilisers is partly political—an acknowledgement that after December's momentous decisions member states have for the moment at least swallowed enough in the way of reform. But it is also a consequence of the knock-on effect and distortions of the market created by tighter milk quotas.

EC beef output is largely a by-product of the dairy industry, with around 75 per cent of beef cattle in the Community produced from dairy herds. In the first half of this year alone farmers are estimated to have slaughtered 300,000 to 400,000 cows in order to keep their milk production within target, but in the process they have flooded the market with beef. The result is that prices of fat cattle currently remain depressed and larger-than-expected amounts are headed for the EC's intervention stores.

More significantly, as an increasing number of observers are pointing out, the short-term glut of beef may actually lead to a longer-term shortage as the size of the Community's dairy herd is reduced. In a recent article in Le Monde, Mr Jean-Claude Guesdon, an economist at France's Institut Technique de l'Elevage Bovin, predicted that the overall decline in the EC dairy herd could be as high as 30 per cent by 1995.

Early signs of a possible turnround are evident in the way in which French (most notably), West German and Dutch producers are currently buying up British calves—"partly because of cheap feed prices and the wet weather, but also presumably in the hope that the market balance is going to improve and prices are going to be better next year," explains one Brussels farm expert.

The situation is thus delicately poised with Commission officials hoping that the market will sort itself out without further immediate action. If not, they not only have the price package option but also significant powers of their own to tighten the screw even further on intervention.

In any case there are the longer term proposals to the Farm Council which were on the table last December and which the Commission has promised to revive after the end of next year. If implemented, these would provide a new threshold for intervention purchases similar to that now in force for butter and designed to prevent Community purchases when a certain level of new stocks had built up.

Brussels also wants to discontinue the variable slaughter premium still paid in Britain—this makes up the difference between the market price and a pre-fixed Community guide price, subject to a maximum limit—and the even more expensive calf premium paid in Ireland, Italy and Greece. The idea is to replace them with a single premium paid only to specified producers with herds of less than 50, and limited to male animals.

Many European producers, particularly in the UK, hope to see continued support for suckler cows (pure beef breeds) through the maintenance of the so-called suckler cow premium.

LONDON MARKETS

COFFEE PRICES on the London futures market yesterday continued the see-saw motion which has followed the week-end agreement at the International Coffee Organisation to reimpose export quotas in an attempt to support sagging prices. Although the immediate market reaction was a sharp price rise on Monday the move has not been sustained, with the result that a cut of 1.5mbags (60kg each) in the global quota was triggered yesterday. That came as no surprise, however, and in the absence of any strong feature the day's modest price rise was attributed to the firmness of the New York market. Cocoa values were also moderately firm, mainly reflecting covering against earlier short sales and the triggering of stop-loss buying orders. As with coffee the trend in the New York market was supportive, dealers said. They also noted some roaster demand and forecasts of substantial rises in third quarter bean grindings, reflecting the upward trend in demand.

LME prices supplied by Amalgamted Metal Trading.

ALUMINIUM

99.7% purity	Unofficial close (p.m.) $ per tonne	+ or —	High/Low
Cash	1950-60	(—)	—
3 months	1960-70	+10	—

Official closing (am): Cash 1,940-60 (1,920-40), three months 1,950-70 (1,840-50), settlement 1,960 (1,940). Final Kerb close: 1,960-70. Ring turnover: 150 tonnes.

99.5% purity	£ per tonne		
Cash	1202-4	+5.5	1196/1195
3 months	1117-8	—4.5	1123/1116

Official closing (am): 1,193-5 (1,183-4), three months 1,119-20 (1,116-7), settlement 1,195 (1,184). Final Kerb close: 1,122-3. Ring turnover: 10,050 tonnes.

COPPER

Grade A	Unofficial close £ per tonne	+ or —	High/Low
Cash	1167-68	—2	1172/1170
3 months	1145-5.5	-5.25	1150/1143

Official closing (am): Cash 1,170-70.5 (1,164.5-65), three months 1,149-50 (1,145-6), settlement 1,170.5 (1,165). Final Kerb close. 1,146-6.5.

Standard			
Cash	1157-62	—5.5	—
3 months	1135-9	—9	—

Official closing (am): Cash 1,160-4 (1,160-2), three months 1,140-4 (1,140-2), settlement 1,164 (1,162). US Producer prices: 89.625-91 cents a pound. Total ring turnover: 42,250 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	363.5-4.5	—3.5	368/367.5
3 Months	357-8	—5	361/355

Official closing (am): Cash 367-8 (366-7), three months 360.5-6 (360-1), settlement 368 (367). Final Kerb close: 355-6. Ring turnover: 7,675 tonnes. US Spot: 42 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	3285-90	—30	3290/ —
3 months	3285-90	—31.5	3315/3270

Official closing (am): Cash 3,300-05 (3,305-10), three months 3,330-2 (3,312-15), settlement 3,305 (3,310). Final Kerb close: 3,275-8. Ring turnover: 756 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	459-60	—8.5	/ —
3 months	464-5	—6.75	470/464

Official closing (am): Cash 461-2 (471-2), three months 467-8 (474-4.5), settlement 462 (472). Final Kerb close: 465-6. Ring turnover: 13,900 tonnes. US Prime Western: 43-43.75 cents per pound.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.		Puts Nov.	
Aluminium 99.7%	—	—		—	
		Nov.	Jan.	Nov.	Jan.
Aluminium 99.5%	1,900	74½	41½	51½	152½
	1,950	47½	29½	64	189
	2,000	26	20½	94½	229
Copper (Grade A)	1,850	77	106	27½	74
	1,900	49	85	49	100
	1,950	28½	64½	78½	143½
	£/tonne				
Copper (Grade A)	1,150	31	39	31	46
	1,175	19	29	34	60
	1,200	11	21	50½	76½

TIN

KUALA LUMPUR TIN MARKET—Close: 17.06 (17.01) ringgit per kg. Up 0.05.

GOLD

GOLD BULLION (fine ounce)	Oct. 8	
Close	$458¼-458¾	(£279-279½)
Opening	$458¼-458¾	(£279-297½)
M'n'g fix	$458.25	(£278.987)
Aft'n'n fix	$458.15	(£278.935)
Day's high	$458½-459	—
Day's low	$457¾-458¼	—

CORRECTION

Owing to a communications breakdown, the morning and afternoon gold fix prices have remained unchanged since Monday. The prices should have been as follows—Monday Morning fix: $455.15, £280.578: Afternoon fix $458.50, £280.975. Tuesday Morning fix: $458.85, £280.104: Afternoon fix $459.00, £280.242. Wednesday Morning fix: $458.55, £279.314: Afternoon fix $458.25, £279.044.

GOLD AND PLATINUM COINS

Am Eagle	$471-476	(£286¾-289¾)
Mapleleaf	$471-474	(£286¾-288½)
Kr'g'r'nd	$457-460	(£278¼-280)
½ Krug	$456½-459½	(£277¾-279¾)
¼ Krug	$122-130	(£74¼-79¼)
Angel	$467-470	(£284½-286¼)
1/10 Angel	$48½-53½	(£29½-32½)
New Sov.	$107¾-108¾	(£65½-66¼)
Old Sov.	$107¾-109¼	(£65½-66½)
Noble Plat.	$586-596	(£356¾-362¾)

INDICES

REUTERS

Oct. 7	Oct. 6	M'th ago	Year ago
1659.1	1660.5	1640.6	1565.0

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Oct. 7	Oct. 6	M'th ago	Year ago
Spot	127.25	127.27	—	123.36
Fut	132.39	132.11	—	123.70

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	Oct. 8 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1850/880	—60	$1850/870
Copper			
Cash Grade A	£1167.5	—2	£1099
3 months	£1145.25	—5.25	£1085.5
Gold Troy oz	$458.5	+1	$460
Lead Cash	£364	—3.5	£414.5
3 months	£357.5	—6	£396.75
Nickel			
Free Mkt	246/266c	—1	258/258c
Palladium oz	$134.50	—0.45	$137.50
Platinum oz	$566.00	—7	$587.50
Quicksilver†	$295/305		$300/310
Silver troy oz	465.90p	—1.85	461.65p
3 months	477.40p	—1.40	473.20p
Tin			
free Mkt	£4150/170		£4155/185
Tungsten	$51.16		$55.47
Wolfram 22.0lb	$58/60		$45/55
Zinc	£459.5	—8.5	£460.75
3 months	£464.5	—6.75	£465.75
producers	$820		$860
OILS			
Coconut (Phil)	$495t		$485
Palm Malayan	$355z	—5	$325
Seeds			
Copra (Phil)	$320	+2.5	$320
Soyabean (U.S.)	$156		$149.5
GRAINS			
Barley Fut. Jan.	£106.60	+0.20	£100.90
Maize	£131.50		£156.00
Wheat Fut. Jan.	£112.60	+0.60	£105.80
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1225.5	+12	£1205.5
Coffee Ft. Jan	£1412.5	+17	£1329.5
Cotton A Ind.*	79.00c	+0.55	82.25c
Gas Oil Nov.	$167.25	+1.25	$156.75
Rubber (kilo)	67.5p	—0.25	70p
Sugar (raw)	$170.4w	—1.6	$158.8
Wooltops 64s	485p kilo	+5	488p kilo

‡ Unquoted. † Per 76-lb flask. c Cents a pound. * Cotton outlook. w Oct-Nov. y Nov. z Dec. t Nov-Dec.

SILVER

Silver was fixed 1.05p an oz lower for spot delivery in the London bullion market yesterday at 465.9p. US cent equivalents of the fixing levels were: spot 785.4c, up 0.15c; three-month 781.25c, down 0.2c; six-month 797.5c, down 0.4c; and 12-month 831.55c, down 0.2c. The metal opened at 465½-467p (784½-786½c) and closed at 466-467½p (786-788c).

SILVER per troy oz	Bullion Fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	465.90p	—1.05	766.5c	+1.5
3 months	477.40p	—1.40	783.5c	+1.5
6 months	489.10p	—1.50	—	—
12 months	512.00p	—1.55	—	—

Three months final kerb 782-5c.

LME—Turnover: Nil (nil) lots of 10,000 ounces.

COFFEE

Robustas eased early on in thin conditions after opening £5 higher as due, reports Drexel Bumham Lambert. After spending the morning trading in a tight range and thin conditions, the market steadied with commission house buying after a strong New York opening. Late short-covering pushed values to the highs in quiet volume.

COFFEE	Yesterday close	+ or —	Business done
Nov	1383-1384	+11.0	1385-1365
Jan	1412-1413	+17.0	1413-1392
Mar	1427-1428	+12.0	1429-1410
May	1441-1445	+10.0	1444-1427
July	1458-1465	+14.0	1460-1446
Sept	1479-1490	+17.0	1471-1465
Nov	1484-1490	+12.0	1480

Sales: 2,657 (4,536) lots of 5 tonnes.

ICO Indicator prices (US cents per pound) for October 7: Comp. daily 1979 111.61 (112.02): 15-day average 105.62 (105.12).

COCOA

During a reasonably active day futures rallied £15 and held most of the gain to close on a steady note. Although producers continued withdrawn some light consumer offtake was noted as well as second-hand products trading, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
Dec	1193-1194	+12.0	1199-1185
March	1225-1226	+12.0	1229-1215
May	1245-1246	+9.0	1251-1235
July	1267-1268	+9.0	1272-1258
Sept	1285-1287	+7.5	1282-1277
Dec	1311-1312	+9.0	1316-1301
March	1336-1337	+7.5	1348.1337

Sales: 3,882 (4,485) lots of 10 tonnes.

ICCO indicator prices. (SDRs per tonne). Daily price for October 8: 1501.71 (1491.48): 10-day average for October 9: 1508.80 (1521.95).

FREIGHT FUTURES

The market opened on a firm note in quiet conditions and remained steady throughout the morning. The BFI was raised 4.5 points to 1,079.5 but still at a discount to the spot October position. The afternoon was quiet but steady, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
Oct.	1112.5	1115/1108	1111
Jan.	1234	1235/1225	1212
Apr.	1254	1257/1249	1235
July	1130	113.0	1117
Oct.	1250	—	1200
Jan.	1250	—	1200
April	1287.5	—	1287.5
BFI.	1079.5	—	1075

Turnover: 289 (400).

GRAINS

LONDON GRAINS—Wheat: US Dark Northern Spring No 2, 14 per cent: Oct 98.00, Nov 97.25. US No 2 Soft Red Winter: Oct 91.50, Nov 93.75. French 11½-12 per cent: Oct 135.00 sellers. English feed, fob: Nov 113.50 paid East Coast, Nov/Dec 113.50, Jan/March 116.00 buyers, April/June 118.75-119.50 buyer/sellers. Maize: US No 3 Yellow/French, transhipment East Coast: 2nd-half Oct 131.50 seller. Barley: English feed: Nov 109.00, Jan/March 112.50 sellers.

Mnth	WHEAT Yest'dy's close	+ or —	BARLEY Yest'dy's close	+ or —
Nov.	111.30	+0.90	104.00	—0.25
Jan.	112.60	+0.50	106.50	+0.20
Mar.	114.40	+0.55	108.45	+0.10
May	116.40	+0.70	109.85	+0.50
July	118.25	+0.75	—	—
Sept	100.15	—	97.50	+0.20
Nov.	102.15	—	100.00	—

Stop-loss buying again dominated nervous wheat and barley markets which reached new highs on all old crop positions before dipping sharply on heavy trade selling to close with sellers over, reports T. G. Roddick.

HGCA — Locational ex-farm spot prices. Feed barley: S. West 102.60, W. Midlands 102.30, N. West 101.30. The UK monetary coefficient for the week beginning Monday October 12 will remain unchanged.

Business done—Wheat: Nov 111.80-1.10, Jan 113.25-2.60, March 115.00-4.35, May 117.05-6.45, July 118.60-8.50, Sept and Nov untraded. Sales: 528 lots of 100 tonnes. Barley: Nov 104.90-4.60, Jan 107.25-6.60, March 109.10-8.85, May 110.20-9.80, Sept and Nov untraded. Sales: 284 lots of 100 tonnes.

POTATOES

The market opened 90p up on April but found keen selling pressure at this level and later at 40p up. The bulk of the day's volume was traded within this narrow range, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov.	87.00	86.70	88.00-87.00
Feb.	96.00	95.00	—
March	86.00	86.50	—
Apr.	138.20	137.10	138.40-137.50
May	150.60	149.80	151.00-150.50
Nov	80.00	80.00	—

Sales: 439 (886) lots of 40 tonnes.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel) Oct.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.00-17.60*	+0.09
Brent Blend	18.80-18.90	+0.05
W.T.I. (1pm est)	19.65-19.70*	+0.04
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe		
Prompt delivery cif ($ per tonne)		
Premium gasoline	184-187	—
Gas Oil	165-166	+2
Heavy fuel Oil	104-106	+1
Naphtha	165-167	—

* November

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yesterd'ys close US$ per tonne	+ or —	Business done
Oct	165.50	+0.25	167.25-65.50
Nov	167.25	+1.25	167.75-66.50
Dec	168.50	+1.25	169.25-67.75
Jan	170.00	+1.50	170.00
Feb	169.00	+0.50	—

Turnover: 3,535 (8,177) lots of 100 tonnes.

US MARKETS

PRECIOUS METALS underwent a flurry of activity in response to the weakness in the stock market, reports Drexel Burnham Lambert. After opening quietly steady, a combination of trade, local and commission house buying produced sharp rallies in the gold, silver and platinum futures before profit-taking towards the close pared gains. In contrast, copper was quiet but managed new contracts highs on continued trade buying. Crude oil was held to a narrow range, easing on trade selling. Sugar finished lower as light local and fund selling eased prices in the face of scale-down trade buying. Cocoa was higher on commission house and stop-loss buying through trade selling and profit-taking held the advance. Coffee was firm on speculative buying. Position-squaring in advance of yesterday's crop report kept cotton under mild pressure. Commission house selling was insufficient to overcome trade buying as orange juice firmed. Rumours that the Soviet Union may be allowed to buy wheat caused the futures to rally, and spillover buying firmed maize. The weakness in the stock market was cited as a reason for firmness in soya-beans despite two-sided trading. Weakness in offshore markets eased soyabean oil, while October soyameal was easier on commercial long-liquidation.

NEW YORK

ALUMINIUM 40,000 lbs; cents/lbs

	Close	Prev	High	Low
Nov	83.00	82.85	—	—
Dec	83.60	82.85	83.00	82.60
Jan	80.35	80.20	—	—
March	77.00	76.25	—	—
May	71.75	71.60	—	—
July	69.00	68.85	—	—
Sept	69.00	68.85	—	—

COCOA 10 tonnes; $/tonnes

	Close	Prev	High	Low
Dec	1842	1838	1856	1837
Mar	1874	1865	1883	1867
May	1900	1891	1911	1896
July	1928	1920	1935	1928
Sept	1958	1950	1958	1955
Dec	1992	1980	1997	1986
Mar	2022	2010	—	—

COFFEE "C" 37,500 lbs; cents/lbs

	Close	Prev	High	Low
Dec	124.84	123.89	125.75	123.75
Mar	128.64	127.90	129.30	128.00
May	130.25	129.46	130.70	129.50
July	130.88	130.38	131.20	130.50
Sep	131.88	131.50	132.00	131.25
Dec	132.63	132.50	133.00	133.00
Mar	130.44	132.50	—	—

COPPER 25,000 lbs; cents/lbs

	Close	Prev	High	Low
Oct	84.15	83.60	84.20	84.20
Nov	84.05	83.50	—	—
Dec	83.85	83.40	84.20	83.65
Jan	83.20	82.75	—	—
March	81.95	81.55	82.25	81.85
May	80.95	80.55	81.15	80.90
July	78.95	78.55	—	—
Sept	79.55	79.15	79.90	79.50
Dec	79.35	78.95	79.70	79.45

COTTON 50,000 lbs; cents/lbs

	Close	Prev	High	Low
Oct	72.55	72.83	73.80	71.40
Dec	70.85	70.98	71.35	70.58
Mar	72.20	72.28	72.95	72.13
May	72.77	72.95	73.30	72.75
July	72.80	73.00	73.45	72.80
Oct	67.70	68.25	68.30	68.00
Dec	66.05	66.60	66.50	66.00

GOLD 100 troy oz; $/troy oz

	Close	Prev	High	Low
Oct	461.4	459.1	462.0	458.0
Nov	463.4	460.3	—	—
Dec	466.5	463.4	469.5	462.6
Feb	473.4	470.1	475.0	469.3
April	480.5	476.9	483.0	476.0
June	487.5	483.7	—	—
Aug	494.7	490.7	495.0	495.0
Sept	460.0	460.1	461.0	461.0
Oct	502.2	498.0	498.5	498.0
Dec	509.8	505.4	509.8	506.0
Feb	517.6	513.0	518.5	518.5
June	533.4	528.4	529.0	529.0
Aug	541.5	536.3	—	—

HEATING OIL
42,000 US gallons, cents/US gallons

	Close	Prev	High	Low
Nov	55.85	55.74	56.15	55.70
Dec	56.05	56.07	56.45	55.85
Jan	56.15	56.19	56.50	56.05
Feb	55.80	55.94	56.25	55.80
Mar	53.70	53.90	54.20	53.70
Apr	52.00	52.25	52.10	52.00
May	50.65	50.85	—	—
Jun	50.00	50.25	—	—
Jul	50.10	50.45	—	—
Aug	50.70	50.85	—	—

ORANGE JUICE 15,000 lbs, cents/lbs

	Close	Prev	High	Low
Nov	138.90	137.70	139.25	137.90
Jan	138.50	136.90	138.90	137.40
March	138.55	137.15	138.85	137.07
May	138.80	137.20	139.00	136.50
July	138.90	137.25	—	—
Nov	139.10	138.00	—	—
Jan	139.10	138.00	—	—

PLATINUM 50 troy oz; $/troy oz

	Close	Prev	High	Low
Oct	586.4	470.7	587.2	586.5
Dec	591.9	576.2	—	—
Jan	594.4	578.7	598.0	573.5
April	603.4	587.2	604.5	583.0
July	612.4	596.2	613.0	590.5
Oct	621.6	605.4	624.0	624.0
Jan	630.9	614.7	—	—

SILVER 5,000 troy oz; cents/troy oz

	Close	Prev	High	Low
Oct	784.5	766.0	—	—
Nov	789.1	770.6	—	—
Dec	794.0	775.5	804.0	772.0
Jan	799.6	781.0	800.5	780.0
March	812.0	793.1	820.5	790.5
May	824.7	805.3	830.0	805.5
July	837.8	817.7	842.0	818.5
Sept	851.2	830.3	832.0	832.8

SUGAR WORLD "11"
112,000 lbs, cents/lb

	Close	Prev	High	Low
Jan	6.90	6.95	6.93	6.90
Mar	7.35	7.42	7.44	7.32
May	7.51	7.59	7.60	7.50
July	7.65	7.73	7.73	7.62
Oct	7.82	7.90	7.90	7.80
Jan	8.08	8.08	—	—
Mar	8.30	8.33	—	—

CHICAGO

LIVE CATTLE 40,000 lbs; Cents/lbs

	Close	Prev	High	Low
Oct	67.10	66.62	67.25	66.62
Dec	66.45	65.82	66.77	65.82
Feb	65.35	64.97	65.82	65.10
April	66.60	66.47	66.92	66.40
June	66.05	65.97	66.30	65.65
Aug	64.97	65.00	65.15	64.72
Oct	63.50	63.50	63.80	63.50

LIVE HOGS
30,000 lbs, cents/lb

	Close	Prev	High	Low
Oct	49.95	50.00	50.30	49.95
Dec	47.25	47.75	47.97	47.20
Feb	44.95	45.27	45.45	44.90
April	41.75	42.00	42.20	41.70
June	44.30	44.30	44.45	44.25
July	44.40	44.60	44.75	44.40
Aug	43.12	43.20	43.45	43.12
Oct	40.17	40.30	40.50	40.05
Dec	40.15	40.15	—	—

MAIZE 5,000 bu min; cents/56 lb bushel

	Close	Prev	High	Low
Dec	184.6	183.0	185.0	182.2
March	193.0	191.4	193.4	190.4
May	198.6	196.6	198.6	195.6
July	201.0	199.2	201.0	198.4
Sept	195.0	194.2	196.2	193.2
Dec	194.6	194.6	195.0	192.6
March	202.0	202.5	202.0	201.0

PORK BELLIES 38,000 lbs, cents/lb

	Close	Prev	High	Low
Feb	59.20	60.05	61.10	59.00
March	59.00	59.67	60.25	58.80
May	59.55	60.20	60.65	59.35
July	59.80	59.87	60.20	59.45

SOYABEANS
5,000 bu min, cents/60 lb bushel

	Close	Prev	High	Low
Nov	543.2	542.4	545.0	540.4
Jan	550.6	550.2	552.4	548.4
Mar	558.6	557.2	560.4	556.4
May	565.2	563.6	567.0	563.0
July	569.6	566.4	571.0	567.0
Aug	565.6	562.0	565.6	562.4
Sep	553.0	550.0	554.4	552.0
Nov	548.4	545.4	550.4	545.0

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
Oct	175.9	177.3	177.6	176.0
Dec	171.4	172.1	172.5	169.8
Jan	169.5	169.6	170.5	168.2
March	167.9	167.6	168.8	166.5
May	166.7	166.5	167.0	165.5
July	165.9	164.5	166.0	164.5
Aug	166.0	164.2	166.0	164.0
Sept	164.5	163.5	164.5	164.0
Oct	162.5	161.7	162.0	163.0
Dec	165.0	162.0	165.0	163.0

SOYABEAN OIL 60,000 lb; cents/lbs

	Close	Prev	High	Low
Oct	17.30	17.35	17.32	17.17
Dec	17.63	17.67	17.65	17.51
Jan	17.83	17.85	17.83	17.70
March	18.14	18.16	18.15	18.00
May	18.34	18.36	18.37	18.20
July	18.57	18.55	18.60	18.40
Aug	18.57	18.55	18.65	18.50
Sept	18.57	18.55	18.65	18.55
Oct	18.60	18.65	18.55	18.65
Dec	18.72	18.85	18.65	18.80

WHEAT
5,000 bu min, cents/60 lb bushel

	Close	Prev	High	Low
Dec	304.2	297.0	303.4	297.4
Mar	314.2	308.0	315.0	308.0
May	308.6	304.0	310.0	303.4
Jul	286.4	286.0	290.0	285.4
Sep	291.0	289.4	293.0	290.0
Dec	299.0	299.0	299.0	299.0

CRUDE OIL (LIGHT) 42,000 US gallons; $/barrels

	Close	Prev	High	Low
Nov	19.59	19.66	19.76	19.59
Dec	19.49	19.56	19.66	19.48
Jan	19.40	19.48	19.56	19.39
Feb	19.31	19.41	19.49	19.30
March	19.31	19.36	19.35	19.29
April	19.20	19.30	19.35	19.20
May	19.10	19.26	19.20	19.10
June	19.09	19.23	19.09	19.08
July	19.09	19.21	19.09	19.09
Aug	19.15	19.20	—	—

SPOT PRICES—Chicago loose lard 15.00 (same) cents a pound. Handy and Harman silver bullion 765.5 (764.5) cents per troy ounce. New York tin 316.5-316.0 (315.0-316.0) cents a pound.

RUBBER

PHYSICALS—Closing prices (buyers): Spot 67.50p (67.75p); Nov 69.00p (69.25p); Dec 69.25p (69.50p). The Kuala Lumpur fob prices (Malay/Singapore cents per kg) were: RSS No 1 289.0 (same); SMR 20 285.5 (same).

SOYABEAN MEAL

	Yesterd'ys close £ per tonne	+ or —	Business done
October	—	—	—
Dec	132.5-133.5	—0.25	—
Feb	132.5-133.5	—1.25	—
April	132.5-133.5	—0.25	—
June	125.0-128.0	—0.80	126.0
August	125.5-126.0	—	—
October	124.0-127.8	—	—

Sales: 10 (152) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $170.40 (£104.00), down $1.60 (down £1.00) a tonne for October-November delivery. White sugar $187.50, down $2.50.

	Yesterd's close	Previous close	Business done
	$ per tonne		
No. 6 Raws			
Dec	153.8-154.2	152.6-154.0	154.4-152.8
Mar	165.0-165.2	165.6-165.8	166.2-164.2
May	168.8-169.0	169.4-169.6	169.4-168.8
Aug	172.0-172.4	172.8-173.2	172.4
Oct	175.8-176.0	176.8-177.6	177.4-176.2
Dec	179.4-180.4	180.2-181.6	—
Mar	186.0-186.8	—	184.8
No. 5 Whites			
Dec	187.0-188.8	187.7-188.7	187.5-186.8
Mar	196.0-197.0	196.2-197.8	197.8-196.5
May	199.5-201.0	199.8	201.8
Aug	205.0-206.8	204.0-207.4	206.0
Oct	208.0-209.0	209.8-211.8	209.0-208.5
Dec	210.8-213.5	212.0-215.8	—
Mar	215.5-219.0	217.0-220.0	218.8

Sales: No 6 2,013 (4,562) lots of 50 tonnes; no 5 1,464 (1,730).

Tate and Lyle delivery price for granulated basis sugar was £209.00 (£210.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for October 7: Daily price 6.53 (6.45); 15-day average 6.10 (6.05).

PARIS—Whites (FFr per tonne): Dec 1130/1137, March 1185/1187, May 1212/1216, Aug 1240/1246, Oct 1264/1271, Dec 1285/1295.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Lack of direction hits dollar

THE DOLLAR was confined to a very narrow band in currency markets yesterday and finished slightly weaker on the day. There was no obvious direction for the dollar to follow. Interest rates in the US and West Germany were higher in comparison with a week ago and there were fears that a rise in the discount rate would soon be forthcoming. But at the same time there were rumours that Mr Alan Greenspan, chairman of the US Federal Reserve Board, saw the dollar losing more ground and that interest rates would not be raised to protect the US unit.

All this was taken on board ahead of next week's US trade figures which are expected to be less than encouraging even if better than last July's record $16.47 deficit.

Against this background there was little incentive to hold on to long dollar positions and the dollar finished lower as a result. It finished at DM 1.8225 from DM 1.8260 and Y144.90 compared with Y145.60. Elsewhere it closed at SFr 1.5185 from SFr 1.5235 and FFr 6.0675 against FFr 6.0775. On Bank of England figures, the dollar's exchange rate index fell from 101.5 to 101.3.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. September average 1.6456. Exchange rate index 73.3, unchanged from the opening and Wednesday night's close. The six months ago figure was 72.4.

The pound was steady throughout the day. Its unchanged index betrayed the fact that upward pressure on sterling, caused by dollar weakness, higher oil prices and a generally encouraging economic outlook was offset by the threat of central bank intervention to keep the pound below DM 3.00. It closed at DM 2.9925 from DM 2.9975 and Y238.0 from Y239.0. Elsewhere it finished at SFr 2.4950 from SFr 2.50 and FFr 9.9650 from FFr 9.9725. Against the dollar it rose to $1.6425 from $1.6410.

D-MARK—Trading range against the dollar in 1987 is 1.9305 to 1.7690. September average 1.8122. Exchange rate index 146.5 against 146.1 six months ago.

There was no intervention by the Bundesbank at yesterday's fixing in Frankfurt when the dollar was fixed at DM 1.8227 from DM 1.8255 on Wednesday. Trading was extremely quiet and the dollar was confined to a narrow range because most speculators were unwilling to make any decision before next week's release of US trade figures.

A meeting of the Bundesbank central council left credit policies unchanged, in line with expectations and the effect within the EMS appeared to be minimal. A firmer trend in West German interest rates helped to offset the D-mark's recent decline against the French franc but once again trading was subdued ahead of the US trade figures.

JAPANESE YEN—Trading range against the dollar in 1987 is 159.45 to 138.35. September average 143.19. Exchange rate index 219.7 against 218.4 six months ago.

Profit taking left the yen below its best level in Tokyo. The dollar closed at Y145.20, having touched a low of Y144.95 and compared with Y145.20 in New York and Y146.45 in Tokyo on Wednesday.

Proximity of next week's release of US trade figures kept many investors on the sidelines and there was also uncertainty about whether the Japanese or US authorities would sanction a rise in discount rates.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Oct. 8	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1650	+1.66	+0.95	±1.5344
Danish Krone	7.85212	7.97550	+1.57	+0.86	±1.6404
German D-Mark	2.05853	2.07734	+0.91	+0.20	±1.0981
French Franc	6.90403	6.91688	+0.19	−0.52	±1.3674
Dutch Guilder	2.31943	2.33772	+0.79	+0.08	±1.5012
Irish Punt	0.768411	0.773815	+0.70	−0.01	±1.6684
Italian Lira	1,483.58	1499.15	+1.05	+0.79	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct. 8	Latest	Previous Close
£ Spot	1.6410-1.6420	1.6427-1.6437
1 month	0.31-0.29pm	0.31-0.29pm
3 months	0.67-0.63pm	0.69-0.66pm
12 months	1.90-1.80pm	1.95-1.85pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Oct. 8	Previous
8.30 am	73.3	73.3
9.00 am	73.2	73.3
10.00 am	73.3	73.3
11.00 am	73.3	73.3
Noon	73.3	73.2
1.00 pm	73.3	73.3
2.00 pm	73.3	73.3
3.00 pm	73.3	73.3
4.00 pm	73.3	73.3

CURRENCY RATES

Oct. 8	Bank rate %	Special * Drawing Rights	European Currency Unit
Sterling	—	0.782972	0.694194
U.S. Dollar	6	1.28564	1.13952
Canadian $	8.75	*	1.48730
Austrian Sch.	4	16.4960	14.6200
Belgian Franc	7¼	48.6647	43.1650
Danish Krone	7	9.00784	7.97550
Deutsche Mark	3	2.34334	2.07734
Neth. Guilder	4½	2.63620	2.33772
French Franc	9½	7.80062	6.91688
Italian Lira	12	N/A	1499.15
Japanese Yen	2½	186.611	165.572
Norway Krone	8	8.57200	7.59433
[illegible]	[illegible]	[illegible]	[illegible]

* CS/SDR rate for Oct. 7; 1.67568.

CURRENCY MOVEMENTS

Oct. 8	Bank of England Index	Morgan Guaranty Changes %
Sterling	73.3	−20.2
U.S. Dollar	101.3	−6.0
Canadian Dollar	79.3	−8.8
Austrian Schilling	137.2	+10.0
Belgian Franc	99.3	−4.8
Danish Krone	90.9	+1.1
Deutsche Mark	146.5	+21.3
Swiss Franc	171.2	+21.9
Guilder	134.7	+14.2
French Franc	71.5	−12.9
Lira	47.2	−18.2
Yen	219.7	+63.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

OTHER CURRENCIES

Oct. 8	£	$
Argentina	[illegible]	[illegible]
Australia	[illegible]	[illegible]
Brazil	[illegible]	[illegible]
Finland	[illegible]	[illegible]
Greece	[illegible]	[illegible]
Hong Kong	[illegible]	[illegible]
Iran	[illegible]	[illegible]
Korea(Sth)	1306.85-1318.65	802.70-809.30
Kuwait	0.46230-0.46270	0.28175-0.28185
Luxembourg	62.10-62.20	37.80-37.90
Malaysia	4.1765-4.1805	2.5450-2.5460
Mexico	2608.20-2610.95	1589.00-1590.00
N. Zealand	2.4615-2.4665	1.5005-1.5020
Saudi Ar.	6.1535-6.1590	3.7500-3.7510
Singapore	3.4410-3.4445	2.0970-2.0980
S. Af. (Cm)	3.3765-3.3925	2.0620-2.0660
S. Af. (Fn)	5.3815-5.5640	3.2785-3.3895
Taiwan	49.15-49.40	29.95-30.05
U.A.E.	6.0265-6.0320	3.6725-3.6735

*Selling rate.

POUND SPOT—FORWARD AGAINST THE POUND

Oct. 7	Day's spread	Close	One month	p.a.	Three months	% p.a.
US	1.6400–1.6435	1.6420–1.6430	0.31–0.28 cpm	2.16	0.66–0.62 pm	1.56
Canada	2.1407–2.1459	2.1430–2.1440	0.15–0.05 c pm	0.56	0.23–0.12 pm	0.33
Netherlands	3.36½–3.37½	3.36½–3.37½	1⅜–1¼ c pm	4.67	3¾–3½ pm	4.30
Belgium	62.10–62.25	62.10–62.20	20–17 c pm	3.57	56–50 pm	3.41
Denmark	11.47½–11.51½	11.48½–11.49½	½ pm–⅝ ore dis	−0.59	¼ pm–¾ dis	−0.17
Ireland	1.1135–1.1175	1.1145–1.1155	0.16–0.10 c pm	1.40	0.48–0.30 pm	1.40
W. Germany	2.98¼–2.99¾	2.98¾–2.99¾	1⅝–1⅜ pf pm	6.02	4⅝–3¾ pm	5.26
Portugal	235.16–236.26	235.16–236.12	5.92 c dis	−2.47	60–231 c dis	−2.47
Spain	198.67–199.59	198.73–199.01	36 pm–31 c dis	−2.02	69–130 dis	−2.00
Italy	2157–2163	2159½–2160½	Par-4lire dis	−1.11	8–13 dis	−1.94
Norway	10.92–10.96	10.93¾–10.94¾	3⅞–4 ore dis	−4.18	10–10⅝dis	−3.77
France	9.95¼–9.97¼	9.96–9.97	1⅞–1½ c pm	2.03	4⅛–3⅝ pm	1.51
Sweden	10.49–10.51½	10.49–10.50	1¼–⅜ ore pm	1.14	2⅝–1⅝ pm	0.76
Japan	237½–238¾	237½–238½	1¼–1⅛ y pm	5.99	3¼–3 pm	5.27
Austria	21.01–21.08	21.05–21.08	10⅛–9¼ c pm	5.52	28¾–26¾ pm	5.27
Switzerland	2.49–2.50	2.49–2.50	1½–1¼ c pm	6.61	3⅝–3⅛ pm	5.61

Belgian rate is for convertible francs. Financial franc 62.45–62.55. Six-month forward dollar 1.23–1.18 c pm. 12-month 1.90–1.80 pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Oct. 8	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6400-1.6435	1.6420-1.6430	0.31-0.28c pm	2.16	0.66-0.62pm	1.56
Ireland†	1.4711-1.4741	1.4720-1.4730	0.09-0.04c pm	0.53	0.24-0.14c pm	0.52
Canada	1.3035-1.3070	1.3035-1.3045	0.16-0.19c dis	−1.61	0.39-0.42 dis	−1.24
Netherlands	2.0480-2.0540	2.0510-2.0515	0.46-0.43c pm	2.60	1.43-1.38pm	2.74
Belgium	37.80-37.90	37.80-37.90	5.00-4.00c pm	1.43	19.00-17.00pm	1.90
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.00-38.10

EURO-CURRENCY INTEREST RATES

Oct. 8	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U.S. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lire	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long-term Eurodollars: Two years 9¼-9½ per cent; three years 10-9¾ per cent; four years 10¼-10 per cent; five years 10½-10¼ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct. 8	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.643	2.993	238.0	9.965	2.495	3.370	2160.	2.144	62.15
$	0.602	1.	1.823	144.9	6.066	1.519	2.052	1315.	1.305	37.85
DM	0.334	0.549	1.	79.53	3.330	0.834	1.126	721.8	0.716	20.77
YEN	4.202	6.901	12.57	1000.	41.87	10.48	14.16	9076.	9.006	261.1
F Fr.	1.004	1.648	3.003	238.8	10.00	2.504	3.382	2168.	2.151	62.37
S Fr.	0.401	0.658	1.199	95.39	3.994	1.	1.351	865.7	0.859	24.91
H Fl.	0.297	0.487	0.888	70.62	2.957	0.740	1.	640.9	0.636	16.44
Lira	0.463	0.760	1.365	110.2	4.613	1.155	1.560	1000.	0.992	28.77
C $	0.467	0.766	1.396	111.0	4.649	1.164	1.572	1008.	1.	28.99
B Fr.	1.609	2.643	4.815	382.9	16.03	4.014	5.422	3475.	3.449	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Gilts and bonds ease

LONG TERM gilts and US Treasury bond futures lost ground on the London International Financial Futures Exchange yesterday.

The market was dull, with gilt futures trading only 15,094 contracts, all for December delivery.

The December contract opened easier at 114-14, and traded within a narrow range of 114-08 to 114-25, before closing at 114-11, compared with 114-20 on Wednesday.

The speech by Mr Nigel Lawson, Chancellor of the Exchequer, to the Conservative Party Conference in Blackpool, had no influence on trading. In the absence of fresh news the market reacted to a weakening of US Treasury bonds.

US Treasury auctions this week, have produced a mixed response, with four-year notes producing a better result than seven-year notes. This has left traders pondering on the next move in financial markets, ahead of a long weekend holiday in the US for Columbus Day on Monday, and the US trade figures on Wednesday.

A significant fall from July's record trade deficit of $16.47bn has been forecast for August, but in recent days economists no longer appear confident there will be a marked improvement. Forecasts of around $13bn for August now appear to be on the optimistic side, with several economists now looking for very little improvement.

Attention is likely to turn to today's September trade figures from Japan, amid expectations of the widening in the surplus from August.

December US bonds opened at 81-14, and rose to a peak of 8-24. The contract touched a low of 81-08 and closed at 81-11, against the previous settlement of 82-06.

Japanese Government bond prices on Liffe opened firmer, encouraged by a better tone in Tokyo and an improvement of the yen against the dollar, but finished towards the lower end of th day's range.

December delivery finished at 92.27, compared with 96.56 on Wednesday.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
108	6.29	7.14	0.07	0.48
110	4.40	5.44	0.18	1.14
112	3.00	4.23	0.42	1.57
114	1.44	3.14	1.22	2.48
116	0.54	2.20	2.32	3.54
118	0.23	1.38	4.01	5.08
120	0.09	1.04	5.51	6.38
122	0.03	0.43	7.45	8.13

Estimated volume total, Calls 1,101 Puts 1,162
Previous day's open int: Calls 27,050 Puts 19,576

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec	Calls—Last March	Puts—Last Dec	Puts—Last March
78	3.51	3.56	0.29	1.24
80	2.17	2.45	0.59	2.13
82	1.07	1.51	1.49	3.19
84	0.30	1.09	3.08	4.17
86	0.12	0.44	4.54	6.12
88	0.04	0.25	6.46	7.57
90	0.01	0.13	8.43	9.45
92	0.00	0.07	10.42	11.39

Estimated volume total, Calls 52 Puts 0
Previous day's open int: Calls 1,246 Puts 967

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Oct.	Calls—Last Nov.	Puts—Last Oct.	Puts—Last Nov.
22750	15.70	16.74	0.20	1.24
23000	13.37	14.71	0.37	1.71
23250	11.16	12.79	0.66	2.29
23500	9.09	11.00	1.09	3.00
23750	7.21	9.37	1.71	3.87
24000	5.56	7.88	2.56	4.88
24250	4.15	6.55	3.65	6.05
24500	3.00	5.38	5.00	7.38

Estimated volume total, Calls 0 Puts 10
Previous day's open int: Calls 118 Puts 119

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

PHILADELPHIA SE £/$ OPTIONS

£12,500 (cents per £1)

LIFFE-EURODOLLAR OPTIONS

$1m points of 100%

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

6% NOTIONAL LONG TERM JAPANESE GOVT BOND Y100m 100ths of 100%

THREE-MONTH STERLING £500,000 points of 100%

FT-SE 100 INDEX £25 per full index point

THREE-MONTH EURODOLLAR $1m points of 100%

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

U.S. TREASURY BILLS (IMM) $1m points of 100%

JAPANESE YEN (IMM) Y12.5m $ per Y100

DEUTSCHE MARK (IMM) DM125,000 $ per DM

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

SWISS FRANC (IMM)

SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec.	0.6624	0.6632	0.6620	0.6623
Mar.	0.6690	0.6696	0.6688	0.6688
Jun.	0.6760	0.6762	—	0.6753

STANDARD & POORS 500 INDEX

$500 times index

	Latest	High	Low	Prev.
Sept.	317.25	319.34	317.25	320.65
Dec.	319.70	321.20	319.35	323.80
Mar.	323.30	324.75	323.00	—
June	328.00	328.40	327.40	—

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

IMM—STERLING Se per £

LIFFE—STERLING £25,000 $ per £

MONEY MARKETS

Rates hold steady in London

INTEREST RATES remained steady on the London money market yesterday. Remarks by Mr Nigel Lawson, Chancellor of the Exchequer, in his speech to the Conservative Party Conference at Blackpool, had no impact.

Three-month interbank closed unchanged at 10¼-10⅛ per cent.

The Bank of England initially forecast a money market shortage of £200m, but revised this to £250m at noon and to £300m in the afternoon.

Total help of £369m was provided. Before lunch the central bank did not operate in the market. In the afternoon the authorities bought £64m bank bills in band 1 at 9⅞ per cent. Late assistance of £305m was also provided.

UK clearing bank base lending rate 10 per cent since August 7

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £468m, with a rise in the note circulation absorbing £30m. These outweighed exchequer transactions adding £295m to liquidity.

In New York the US Federal Reserve added $1.5bn of temporary reserves to the banking system via customer repurchase agreements. Federal funds were trading at 7.5 per cent at the time.

In Frankfurt the West German Bundesbank left its credit policies unchanged at yesterday's central bank council meeting. The discount rate remains at 3 per cent and the Lombard rate at 5 per cent.

Call money was steady at 3.80 per cent in Frankfurt. Short term funding requirements put upward pressure on the market, but this was balanced by sufficient reserve holdings of the commercial banks.

Banks holdings at the Bundesbank rose to DM 56.8bn on Tuesday, from DM 58.7bn on Monday, increasing the daily average for the first six days of October to DM 53.4bn. The average for the whole month is expected to be between DM 51bn and DM 52bn.

The Bundesbank increased the rate on securities repurchase agreements at this week's tender, indicating concern about money supply growth. Yesterday it was announced that the central bank's money stock grew at an annual rate of 7.8 per cent in September, compared with 7.4 per cent in August, and outside the target range of 3 to 6 per cent.

In Rome the Bank of Italy said a L2,500bn reverse repurchase offer on Treasury certificates was fully subscribed at an average weighted acceptance rate of 11.50 per cent. The average weighted acceptance rate on a similar, but larger reverse repurchase operation on Wednesday, was 11.48 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Oct. 8) 3 months U.S. dollars		6 months U.S. dollars	
bid 8⅞	offer 8⅞	bid 8¾	offer 8⅞

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds	
Prime rate	—	One month	—
Broker loan rate	8¾	Two month	5⅞
Fed. funds	7½	Three month	—
Fed funds at intervention	7⅞	Six month	—
		One year	—
		Two year	—

October 8	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.75-3.85	3.95-4.10	3.95-4.10	[illegible]	[illegible]	5.0
Paris	7⅛-7¼	7⅞-7¼	7¼-7⅜	[illegible]	[illegible]	[illegible]
Zurich	⅞-1⅛	3¼-3½	—	[illegible]	[illegible]	—
Amsterdam	5⅛-5¼	5⅛-5¼	—	[illegible]	[illegible]	—
Tokyo	3.34375	3.78125	—	[illegible]	[illegible]	—
Milan	10⅞-11¼	10⅞-11⅛	—	[illegible]	[illegible]	—
Brussels	5.05	6⅛-6½	—	[illegible]	[illegible]	—
Dublin	8⅞-8⅞	8¾-9	9—9¼	[illegible]	[illegible]	—

LONDON MONEY RATES

October 8	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11-6	9⅞-9⅞	9⅞-9⅞	[illegible]	[illegible]	[illegible]
Sterling CDs	—	—	9⅞-9¾	[illegible]	[illegible]	[illegible]
Local Auth'rity Deps.	9⅞	9⅞	9⅞	[illegible]	[illegible]	[illegible]
Local Authority Bonds	—	—	10⅛	[illegible]	[illegible]	[illegible]
Discount Mkt Deps.	9⅞-7	9⅞	9⅞	[illegible]	[illegible]	[illegible]
Company Deposits	9¾-9½	9⅞	10-9⅞	[illegible]	[illegible]	[illegible]
Finance House Deposits	—	—	9⅞	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	—	—	9⅞	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	—	—	9¾	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	—	—	10⅛	[illegible]	[illegible]	[illegible]
Dollar CDs	—	—	7.75–7.70	[illegible]	[illegible]	[illegible]
SDR Linked Deposits	—	—	6⅞-6⅛	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	—	—	7⅛-6⅞	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 9⅞ per cent; three months 9⅞ per cent; Bank Bills (sell); one-month 9⅞ per cent; three months 9⅞ per cent; Treasury Bills: Average tender rate of discount 9.7467 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1987. Agreed rates for period October 26 to November 24 1987, Scheme I: 11.42 p.c. Schemes II & III: 11.47 p.c. Reference rate for period August 29 to September 30, 1987, Scheme IV: 10.219 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ per cent from October 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 8¼ per cent; three-six months 8¾ per cent; six-nine months 10⅛ per cent; nine-12 months 10⅛ per cent; Under £100,000 8 per cent from September 15. Deposits withdrawn for cash 5 per cent.

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, October 7, 1987. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

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ECU=$US1.13073 SDR1=$US1.28004
As of october 7, at 11.00 a.m.

	3 months	6 months
Eurodollar Libor:	8⅞	8¾
Sibor:	8½	8⅝

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60	Gibraltar	Pound*	1.6415	Papua New Guinea	Kina	0.8909
Albania	Lek	6.1529	Greece	Drachma	139.875	Paraguay	Guarani (p)	320.00
Algeria	Dinar	4.67	Greenland	Danish Krone	7.0095		Guarani (d)	550.00
Andorra	French Franc	6.075	Grenada	E. Caribbean $	2.70		Guarani (d)	847.50
	Spanish Peseta	121.145	Guadaloupe	Franc	6.075	Peru	Intl (o) (n)	15.89
Angola	Kwanza	29.918	Guam	U.S. $	1.00		Intl (f)	37.50
Antigua	E. Caribbean $	2.70	Guatemala	Quetzal (o)	1.00	Philippines	Peso	20.60
Argentina	Austral	2.763		Quetzal (h, f)	2.675	Pitcairn Islands	N.Z. Dollar	1.5136
Aruba	Florin	1.79	Guinea Bissau	Peso	650.00	Poland	Zloty (o)	297.02
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

n.a. Not available. (m) Market rate. *U.S. dollars per National Currency unit. (a) Parallel Rate. (o) Official rate. (b) Floating Rate. (c) Commercial rate. (d) Freemarket. (e) Controlled. (f) Financial rate. (g) Preferential rate. (h) Non essential imports. (i) Floating tourist rate. (j) Public Transaction Rate. (k) Agricultural products. (l) Priority Rate. (n) Essential imports. (p) Exports. (1) Sudan, 4 Oct, 87: Pound devalued by approx. 44.4% (2) Fiji, 7 Oct. 87: Dollar devalued by approx. 15.25%.
For further information please contact your local branch of the Bank of America.

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY OCTOBER 8 1987					WEDNESDAY OCTOBER 7 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (91)	170.49	+0.7	153.89	156.48	2.52	169.36	153.01	155.68	180.81	99.92	89.04
Austria (16)	101.81	+0.5	91.89	96.45	2.15	101.30	91.52	96.16	102.87	85.53	94.13
Belgium (48)	125.34	+0.0	113.13	117.61	4.03	125.35	113.25	117.78	134.89	96.19	90.35
Canada (129)	133.74	−0.7	120.72	126.28	2.32	134.65	121.65	127.24	141.78	100.00	98.23
Denmark (38)	120.03	+0.9	108.35	114.20	2.57	119.01	107.52	113.59	124.83	98.18	96.78
France (122)	109.10	+0.3	98.47	103.83	2.66	108.74	98.25	103.67	121.82	98.39	95.79
West Germany (93)	101.75	+0.5	91.84	96.41	1.96	101.24	91.46	96.11	104.93	84.00	95.08
Hong Kong (46)	157.23	+0.0	141.92	157.58	3.08	157.21	142.04	157.58	158.68	96.89	89.64
Ireland (14)	157.85	+1.6	142.48	151.05	2.98	155.30	140.30	148.86	157.85	99.50	80.08
Italy (95)	94.78	+0.6	85.56	93.09	2.04	94.20	85.10	92.69	112.11	84.22	100.36
Japan (458)	148.47	+2.3	134.01	135.99	0.50	145.09	131.09	133.54	161.28	100.00	98.01
Malaysia (36)	179.59	+0.6	162.11	176.07	2.04	178.51	161.28	175.08	193.64	98.24	92.94
Mexico (14)	406.86	−2.3	367.25	707.08	0.42	416.45	376.25	724.88	422.59	99.72	81.09
Netherland (37)	123.68	+0.3	111.64	115.79	3.87	123.26	111.36	115.58	131.41	99.65	96.50
New Zealand (24)	134.95	−0.3	121.81	107.58	2.75	135.33	122.26	108.60	138.99	83.93	78.42
Norway (24)	181.02	+1.1	163.40	163.70	1.67	178.99	161.71	162.11	185.01	100.00	102.79
Singapore (27)	171.09	+0.0	154.44	165.38	1.49	171.12	154.60	165.36	174.28	99.29	99.03
South Africa (61)	186.20	−0.9	168.07	135.69	3.11	187.96	169.82	135.85	198.09	100.00	100.98
Spain (43)	166.54	−0.5	150.32	152.79	2.61	167.35	151.19	153.66	168.81	100.00	98.27
Sweden (34)	136.64	+0.8	123.34	129.26	1.77	135.59	122.50	128.57	136.64	90.85	100.05
Switzerland (53)	111.11	+0.4	100.29	104.60	1.59	110.68	100.00	104.54	111.11	92.01	95.06
United Kingdom (335)	160.56	+0.8	144.93	144.93	3.11	159.31	143.93	143.93	162.87	99.65	92.11
USA (584)	128.52	−1.3	116.01	128.52	2.86	130.28	117.70	130.28	137.42	100.00	98.11
Europe (952)	130.02	+0.6	117.36	120.62	2.75	129.28	116.80	120.10	130.02	99.78	94.68
Pacific Basin (682)	149.51	+2.2	134.95	137.19	0.68	146.35	132.22	134.90	158.77	100.00	97.34
Euro–Pacific (1634)	141.78	+1.6	127.97	130.58	1.44	139.58	126.11	129.00	143.65	100.00	96.29
North America (713)	128.80	−1.3	116.26	128.42	2.83	130.51	117.91	130.13	137.55	100.00	98.11
Europe Ex. UK (617)	111.04	+0.4	100.24	105.42	2.42	110.62	99.94	105.21	111.97	98.02	96.27
Pacific Ex. Japan (224)	162.41	+0.3	146.60	152.32	2.65	161.85	146.23	152.00	164.03	99.92	88.89
World Ex. US (1838)	142.13	+1.5	128.30	130.81	1.49	140.10	126.58	129.34	143.38	100.00	96.39
World Ex. UK (2087)	134.51	+0.4	121.41	128.68	1.85	134.00	121.06	128.47	138.82	100.00	97.52
World Ex. So. Af. (2361)	136.51	+0.4	123.22	130.11	1.98	135.92	122.80	129.82	139.47	100.00	97.01
World Ex. Japan (1964)	131.28	−0.6	118.50	127.27	2.79	132.05	119.30	128.08	134.22	100.00	96.57
The World Index (2422)	136.83	+0.4	123.51	130.19	1.99	136.25	123.10	129.91	139.73	100.00	97.04

Base values: Dec 31, 1986 = 100

Amendments to indices for October 7 applied to the following: Ireland, Italy, Europe, Euro-Pacific, Europe Ex.UK, and World Ex.US.
Hong Kong market closed for public holiday October 8.

EUROPEAN OPTIONS EXCHANGE

Series		Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	May 88 Vol.	May 88 Last	Stock
GOLD C	$460	41	10.20	9	20.10	—	—	$458.40
GOLD C	$480	116	3.50	13	15	2	25	"
GOLD C	$500	16	2.40	24	10	8	18	"
GOLD C	$520	10	0.90	—	—	—	—	"
GOLD P	$400	10	1	160	1.20	—	—	"
GOLD P	$440	—	—	60	6.20	—	—	"
		Oct. 87		Nov. 87		Dec. 87		
S/Fl C	Fl.200	23	4.90	—	—	—	—	Fl.205.22
S/Fl C	Fl.205	23	0.80	—	—	—	—	"
S/Fl C	Fl.2110	—	—	—	—	—	—	"
S/Fl C	Fl.215	—	—	—	—	6	0.30B	"
S/Fl P	Fl.195	—	—	—	—	4	0.70	"
S/Fl P	Fl.200	—	—	—	—	600	1.60	"
S/Fl P	Fl.205	50	1	10	2.90	50	3.50	"
		March 88		June 88		Sep. 88		
S/Fl C	Fl.205	—	—	—	—	2	5.80	Fl.205.22
S/Fl C	Fl.210	4	2.40A	—	—	—	—	"
S/Fl C	Fl.220	—	—	7	1.40	—	—	"

		Oct. 87 Vol.	Oct. 87 Last	Jan. 88 Vol.	Jan. 88 Last	Apr. 88 Vol.	Apr. 88 Last	Stock
ABN C	Fl.48	370	0.30	51	2.10A	210	3.30	Fl.48.20
ABN P	Fl.48	3644	2.30	3487	2.90B	—	—	"
AEGON C	Fl.90	—	—	103	4.20	2	6.30	Fl.86.80
AEGON P	Fl.90	20	3.30	43	5.80B	5	6.70	"
AHOLD C	Fl.110	7	0.10	36	2.70	4	5	Fl.102.50
AHOLD P	Fl.100	10	0.50	60	3	—	—	"
AHOLD P	Fl.100	10	0.50	—	—	—	—	"
AKZO C	Fl.170	503	5.20	47	12.60B	2	17.20	Fl.174.80
AKZO P	Fl.170	70	0.50	162	6	45	7.80	"
AMEV C	Fl.60	21	0.40	351	3.20	75	5.10B	Fl.58.90
AMEV P	Fl.60	43	1.30	52	3.20	—	—.20A	"
AMRO C	Fl.85	31	0.10	728	2.90	328	5.50	Fl.81.60
AMRO P	Fl.85	38	3.80A	47	5.50	15	6.70	"
ELSEVIER C	Fl.60	53	0.40B	484	4	10	6	Fl.58.60
ELSEVIER P	Fl.60	32	1.80	427	4	—	—	"
GIST-BROC. C	Fl.45	21	3.90	188	5.70	50	7	Fl.48.60
GIST-BROC. P	Fl.50	26	1.70	215	3.20	2	5	"
HEINEKEN C	Fl.180	14	0.40	25	6.10	3	10	Fl.172.50
HEINEKEN P	Fl.180	112	8	113	10.30	—	—	"
HOOGOVENS C	Fl.50	191	3.40	165	5.50	—	—	Fl.46.70
KLM C	Fl.55	255	0.30	432	2.90	3	5	Fl.52.70
KLM P	Fl.50	106	0.30	240	2	204	3.20	"
NEDLLOYD C	Fl.180	116	12.90A	2	21	—	—	Fl.191
NEDLLOYD P	Fl.170	29	0.10	17	4	—	—	"
NAT.NED. C	Fl.70	10	2.40	208	5.50	—	—	Fl.71.90
NAT NED P	Fl.70	16	0.30	130	2.50	—	—	"
PHILIPS C	Fl.55	344	0.20	374	2.20	217	3.30A	Fl.52.30
PHILIPS P	Fl.55	272	3	122	4	142	5.20	"
ROYAL DUTCH C	Fl.270	775	1	150	9.50	4	15	Fl.262.90
ROYAL DUTCH P	Fl.270	216	8	173	12.30	—	—	"
UNILEVER C	Fl.144	91	0.20	1495	5.20	—	—	Fl.137.90
UNILEVER P	Fl.136	61	1.20	306	5.40	—	—	"

TOTAL VOLUME IN CONTRACTS: 36,707

A=Ask B=Bid C=Call P=Put

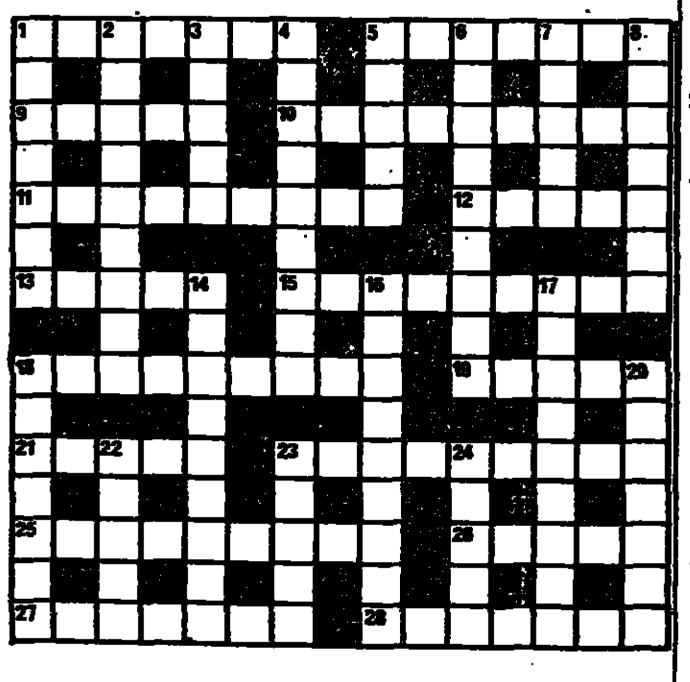
BASE LENDING RATES

	%		%		%
ABN Bank	10	● Charterhouse Bank	10	Nat Bk. of Kuwait	10
Adam & Company	10	Citibank NA	10	NatWestminster	10
Allied Arab Bk Ltd	10	City Merchants Bank	10	Northern Bank Ltd	10
Allied Dunbar & Co	10	Clydesdale Bank	10	Norwich Gen. Trust	10
Allied Irish Bank	10	Comm. Bk. N. East	10	PK Finans. Intl (UK)	10½
American Exp. Bk	10	Consolidated Cred	10	Provincial Trust Ltd	11
Amro Bank	10	Co-operative Bank	*10	R. Raphael & Sons	10
Henry Ansbacher	10	Cyprus Popular Bk	10	Roxburghe G'rantee	10½
ANZ Banking Group	10	Duncan Lawrie	10	Royal Bk of Scotland	10
Associates Cap Corp	10	Equat'r'l Tst C'p plc	10	Royal Trust Bank	10
Authority & Co Ltd	10	Exeter Trust Ltd	10½	Smith & Williams Secs	10
Banco de Bilbao	10	Financial & Gen. Sec	10	Standard Chartered	10
Bank Hapoalim	10	First Nat. Fin. Corp	11	TSB	10
Bank Leumi (UK)	10	First Nat. Sec. Ltd	11	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	10	● Robert Fleming & Co	10	United Bk of Kuwait	10
Bank of Cyprus	10	Robert Fraser & Ptrs	11	United Mizrahi Bank	10
Bank of Ireland	10	Girobank	10	Unity Trust PLC	10
Bank of India	10	Grindlays Bank	10	Western Trust	10
Bank of Scotland	10	● Guinness Mahon	10	Westpac Bank Corp	10
Banque Belge Ltd	10	HFC Trust & Savings	10	Whiteaway Laidlaw	10½
Barclays Bank	10	● Hambros Bank	10	Yorkshire Bank	10
Benchmark Tst Ltd	10	Heritable & Gen. Tst	10		
Beneficial Trust Ltd	11	● Hill Samuel	§10		
Berliner Bank AG	10	C. Hoare & Co	10		
Brit Bk of Mid East	10	Hongkong & Shangh	10		
● Brown Shipley	10	Lloyds Bank	10		
Business Mtge Tst	10	Meghraj & Sons Ltd	10		
CL Bank Nederland	10	Midland Bank	10		
Canada Permanent	10	● Morgan Grenfell	10		
Cayzer Ltd	10	Mount Credit Corp. Ltd	10		

● Members of the Accepting Houses Committee. * 7-day deposits 5%. Savewise 7.66%. Top Tier—£2,500+ at 3 months' notice 9.31%. At call when £10,000+ remains deposited. ¶ Mortgage base rate. § Demand deposit 4.98%. Mortgage 11.125%.

FT CROSSWORD PUZZLE No 6,451

CINEPHILE



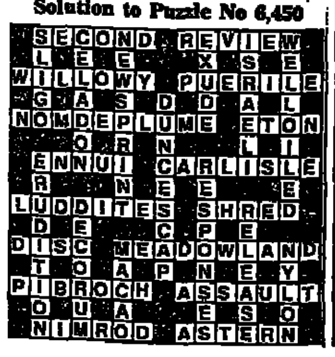
ACROSS

1 Flier exposes part of body (7)
5 Sailor (likewise) needs a lot of luck to get into new café (7)
9 Lines in circle, not wirelesses (5)
10 Vicar having moral obligation? (9)
11, 12 Leg-puller's effective card? (9,5)
13, 15 High mountain with luck has things such a helium (5,9)
18 Mare's tail and crow's foot, possibly, are wet with dew (5,4)
19 Bondsman? (5)
21 Fabulous person put a-back? (5)
23 How much per skein is the shopman? (9)
25 Guard of garden changed one for the queen (9)
26 Nobody's seventh or fifth (5)
27 Tip from the next remedy (7)
28 English printing measure in confusion, I think (7)

DOWN

1 Roman general shows effect of a vice on father (7)
2 Left vehicle with domestic animal to welcome VIP (3,6)
3 Lift first used in army (5)
4 Curled lip is found in royal personage as a general rule (9)
5 Ocean enters Cornish river: this point demands attention (5)
6 Drink calcium hydroxide and petrol? (4,5)
7 Stop payment in America (5)
8 Article on vetches or darnels in the Star? (7)
14 Flier takes opera wrong way (9)
16 Record player for painter, one entertained by two male beasts (9)
17 Learner on farm extending far (4-5)
18 Devious acquisition without right cause quarrel (7)
20 Ancient city confused sheep with people? (7)
22, 23, 24 We set off, we hit out, and we sin grievously to get drinks (5,5,5)

Solution to Puzzle No 6,450



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers—Contd.

Gilt	88.4	88.8	+0.0	7.84
(Accum Units)	105.1	105.6	+0.0	7.84
Global Fund	55.9	59.1	+0.2	0.63
(Accum Units)	55.9	59.1	+0.2	0.63
High Income Fund	56.7	60.0xd	+0.6	4.37
(Accum Units)	57.2	61.0xd	+0.6	4.37
High Interest Fund	44.3	47.0xd	+0.1	9.58
(Accum Units)	45.8	48.4xd	+0.0	9.58
Income	134.1	141.9xd	+1.4	2.73
(Accum Units)	154.8	163.8xd	+1.5	2.73
International	315.2	333.5	+0.4	1.86
(Accum Units)	394.4	417.3	+0.5	1.86
Japan	217.8	230.4	+3.1	0.70
(Accum Units)	223.5	236.5	+3.2	0.70
Pacific Fund	63.1	66.7	+0.3	0.10
(Accum Units)	63.1	66.7	+0.3	0.10
Recovery	344.0	364.0	+6.2	2.10
(Accum Units)	374.1	395.8	+6.6	2.10
UK Smaller Co's Fund	59.1	62.5xd	+0.4	1.58
(Accum Units)	59.6	63.0xd	+0.3	1.58

Merlin Fund Mngmnt Ltd
90 St James St, London SW1A 1HB 01-925 1277

Merlin Oct 7	645.0	654.5	—	1.08

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	67.1	71.3xd	+1.9	4.21
Accum Units	67.8	72.1xd	+1.9	4.16
UK Growth Fund Acc.	67.1	71.4	+2.0	1.58
Global Income Fund	52.0	55.5	—	3.61
Accum Units	52.0	55.5	—	3.61
Global Growth Fund	52.1	55.4	+0.9	0.45

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD
Tel: 0742 769842

Capital	137.1	146.5	+2.0	1.05
(Accum Units)	189.5	202.1	+2.5	1.05
Commodity & Gen.	199.8	212.6	+1.0	1.27
(Accum Units)	285.2	302.6	+1.4	1.27
European Growth	136.9	145.3	-1.0	0.97
(Accum Units)	165.2	175.5	-1.2	0.97
Extra High Inc.	76.3	81.0xd	+0.5	6.15
(Accum Units)	94.9	100.7	+0.5	6.15
Gilt & Fxd. Int.	52.0	54.4xd	+0.1	8.59
(Accum Units)	92.4	96.6	+0.2	8.59

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.

Gilt-Edged Int	224.8			
Do Accum	277.5			—
Guaranteed Int	159.2			—
Do Accum	196.6			—
International Int	525.2			—
Do Accum	647.7			—
Index Lk Gilt Int	132.3			—
Do. Accum	163.2			—

Merchant Investors Assurance

Leon House, 233 High St, Croydon 01-686 9171

Property	321.4	+0.3	—
Property Pens	435.6	+0.5	—
Equity	205.4	-1.0	—
Equity Pens	900.8	-6.1	—
Money Market	296.6	+0.4	—
Money Mkt. Pens	534.7	+0.8	—
Deposit	240.2	+0.0	—
Deposit Pens	385.3	+0.0	—
Managed	307.6	-1.0	—
Managed Pens	600.8	-2.5	—
Intl. Equity	367.6	-2.0	—
Do. Pens	603.6	-4.5	—
Intl. Managed	334.6	-1.4	—
Do. Pens	503.6	-3.6	—
North American	133.9	-0.7	—
Do. Pens	154.2	-1.1	—
Far East	307.8	-0.3	—
Do. Pens	460.8	-0.6	—
Intnl. Currency	168.6	-0.3	—
Do. Pens	217.3	-0.6	—
Index Linked	123.1	-1.5	—
S & C Managed Fd	143.5	-1.0	—
S & C Pens Mngd Fd	117.8	-1.2	—
Beth Chambers	131.6	-0.2	—
Lucas & Lucas	121.4	+0.0	—
Milton Mngd Fnd	161.1	-0.3	—

Trustlink Life Funds

Per Worldwide Rec	174.6	-1.0	—
Per Far East Growth	226.7	-1.0	—
Per Intl Growth	168.6	-1.8	—
Per Income	179.6	+0.4	—
Per Emerging Co's	166.1	-1.0	—
Per American Growth	150.5	-2.3	—
Per European Growth	138.7	-2.9	—

Norwich Union Asset Management Ltd

PO Box 124, Norwich NR1 3JS 0603 683986

NUAM Funds

Managed Fund	58.9	62.1	+0.3	—
Stock Market Mngd Fund	61.0	64.3	+0.3	—
Equity Fund	66.4	69.9	+0.5	—
International Fund	56.9	59.9	—	—
European Fund	60.2	63.4	—	—
North American Fund	51.0	53.7	—	—
Pacific Fund	66.5	70.0	+0.4	—
Property Fund	52.9	55.7	—	—
Fixed Interest Funds	48.1	50.7	+0.2	—
Index Linked Sec Fund	44.5	46.9	+0.1	—
Deposit Fund	51.7	54.5	+0.1	—

NUAM Retirement Plans

Mixed Fund	63.7	67.1	-0.1	—
UK Ordinary Share	77.6	81.7	-0.1	—
International Fund	58.3	61.4	-0.3	—
Property Fund	52.9	55.7	—	—
Fixed Interest Fund	50.0	52.7	+0.1	—
Index Linked Sec Fund	45.0	47.4	-0.1	—
Deposit Fund	53.7	56.6	+0.1	—

NUAM (MF)

Managed Fund	812.8	855.6	+4.3	—
Equity Fund	1783.2	1877.1	+17.2	—
Property Fund	328.9	346.3	—	—
Fixed Interest Fund	354.8	373.5	+1.2	—
Deposit Fund	211.0	222.2	—	—
International Fund	147.6	155.4	—	—
Index Linked Sec Fund	44.6	47.0	+0.1	—

Norwich Union Life Insurance Soc.

PO Box 4, Norwich NR1 3NG 0603 622200

Pensionmaster* & Unit-Linked Plus*

Fixed Interest Fund	249.8	262.9	—	—
Index-Linked Sec Fund	127.8	134.5	—	—
Ordinary Share Fund	564.3	594.0	—	—
International Fund	150.3	158.2	—	—
Property Fund	164.0	172.6	—	—
Deposit Fund	168.2	177.0	—	—
Mixed Fund	355.2	373.0	—	—
Norwich Units Sep 15		1018.4	—	—

*Prices as at June 30.

Pearl Assurance (Unit Funds) Ltd

[illegible]

Provincial Life Assurance Co Ltd

Stramongate, Kendal, Cumbria [illegible]

Managed Fd	597.6
Cash Fd	210.2
Property Fund	227.9
Equity Fund	714.8
Fxd. Int. Fund	277.7
International	334.8
High Income	508.4
Far East	476.3
North American	264.7
Special Sits	689.6
Technology	305.6
Extra Inc Fd	289.1
Convertible & Gilt Fd	160.7
American Income	117.5
Gilt Fund 20	271.2
European Fund	109.9
Managed Pens. Acc	563.6
Deposit Pens. Acc	207.1
Property Pens. Acc	218.5
Fix. Int. Pens. Acc	328.5
Equity Pens. Acc	785.4
International Pens Acc	502.3
High Inc Pens Acc	510.8
Tech Pens Acc	300.4
N American Pens Acc	187.2
Far Eastern Pens Acc	457.3
Special Sits Pens Acc	545.0
Extra Income Pens Fd	323.8
Convertible & Gilt Pen	179.5
American Inc Pens	129.9
European Pens	116.9

Broker Funds

KSA Managed Fund	166.3
McKenna Mngd Fund	174.3
Acorn Managed Fund	189.8
Portfolio 2000	176.5
Allied Anglo Mngd Fd	148.8
Brian Foster Mngd. Fd	148.7
Archer Managed	142.8
Boston Intnl Managed	125.1
BFP PR Inv Port	123.8
Chippendale	112.6
Do Bars Flexible Ir Bd	110.2
Hinton Hill W'wide Pev	115.5

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101	100	Treas. 12pc 1987	100 xd	.....	—	—
99	97	Treas 7¾pc 1985-88‡‡	99½	.....	7.80	9.64
102	99	Exch 10½pc '88	100 xd	.....	10.47	10.17
101	98	Treas 9¾pc Cv '88	99		9.78	10.15
97	93	Transport 3pc '78-88	96		3.10	7.74
101	98	Treas. 9½pc '88	99 xd	.....	9.56	10.16
105	101	Treas 11½pc 1989	102	.....	11.33	10.22
102	97	Treas 9½pc Cnv 1989	99 xd	.....	9.59	10.20
94	89	Treas 3pc 1989	93		3.22	7.55
104	99	Treas 10½pc 1989	100		10.47	10.27
103	98	Exch 10pc 1989	99½		10.05	10.27
105	100	Exch 11pc 1989	101 xd		10.86	10.25
95	89	Treas 5pc 1986-89	93 xd		5.36	8.70
108	99	Exch 10½pcCv '89	100		10.20	9.92
111	105	Treas 13pc 1990‡‡	105	.....	12.30	10.09
106	100	Exch 11pc 1990‡‡	101	.....	10.83	10.20
110	104	Exch. 12½pc 1990	104 xd		11.91	10.17
91	84	Treas. 3pc 1990	88 xd		3.38	7.85
100	93	Treas 8¼pc 1987-90‡‡	95	.....	8.61	10.02
105	97	Treas. 10pcCv 1990	99 xd	.....	10.05	10.21
89	82	Exch 2½pc 1990	86	.....	2.90	7.59
110	102	Treas 11¾pc 1991	104	.....	11.31	10.26
95	87	Funding 5¾pc '87-91‡‡	89 xd		6.43	9.34
89	83	Treas. 3pc 1991	84 xd		3.53	7.90
110	99	Treas 10pc Cv '91 ‡‡	100		9.96	9.85
109	101	Exch. 11pc 1991	102 xd	.....	10.73	10.22
96	91	Treas. 8pc 1991	92			
116	107	Treas. 12¾pc 1992‡‡	108		11.77	10.25
106	97	Treas 10pc 1992	99		10.07	10.18
99½	90	Treas. 8pc 1992 ‡‡	92 xd		8.70	10.25
108	99	Treas 10½pc Cv 1992‡‡	101 xd		10.40	10.22
85	79	Treas. 3pc 1992	80		3.74	8.03
115	106	Exch. 12¼pc '92	107		11.42	10.30
121	110	Exch 13½pc 1992	112		12.06	10.34
		Five to Fifteen Years				
107	97	Treas 10pc 1993‡‡	99 xd		10.10	10.23
118	108	Treas 12½pc 1993‡‡	109		11.45	10.31
95	82	Funding 6pc 1993‡‡	87 xd		6.86	8.74
125	113	Treas 13¾pc 1993‡‡	115	.....	11.97	10.37
129	116	Treas 14½pc 1994‡‡	119		12.17	10.33
124	113	Exch 13½pc 1994	114 xd		11.83	10.47
107	97	Treas. 10pc Ln. 1994‡‡	98		10.14	10.28
120	106	Exch. 12½pc 1994	109		11.39	10.45
109	92	Treas 9pc 1994‡‡	94		9.55	10.14
118	106	Treas 12pc 1995	107		11.14	10.44
84	76	Exch 3pc Gas 90-95	79 xd		3.77	6.46
109	98	Exch. 10¼pc 1995	99		10.31	10.35

BRITISH FUNDS—Contd

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		Undated				
45	40	Consols 4pc	41		9.84	—
40	35	War Loan 3½pc‡‡	36		9.65	—
51	47	Conv. 3½pc '61 Aft.	47 xd	.....	7.29	—
34	30	Treas. 3pc '66 Aft.	30 xd		9.86	—
28	25	Consols 2½pc	25 xd		9.92	—
28	25	Treas. 2½pc	25 xd		9.86	—
		Index-Linked (b)			(1)	(2)
131	125	Treas. 2pc '88 (297.1)	131 xd		—	—
117	108	Do. 2pc '90 (323.9)	114		2.06	3.14
99	93	Do. 2pc '92‡‡ (385.8)	95	.....	2.93	3.49
128	119	Do. 2pc '96 (267.9)	122		3.88	4.20
111	100	Do 2½pc '01 (308.8)	100		4.24	4.53
110	98	Do. 2½pc '03 (310.7)	98		4.23	4.49
113	99	Do. 2pc '06 (274.1)	99		4.18	4.39
108	94	Do. 2½pc '09 (310.7)	94		4.12	4.32
113	98	Do. 2½pc '11 (294.1)	98		4.07	4.26
95	81	Do. 2½pc '13 (351.9)	81		4.04	4.21
103	88	Do. 2½pc '16 (322.0)	88		3.95	4.14
101	86	Do. 2½pc '20 (327.3)	86 xd		3.86	4.04
86	73	Do. 2½pc '24 ‡‡(385.3)	73	–½	3.80	3.95

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for January 1987: 100.0 and for August 1987: 102.1 (rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
113	98	African Dv Bk 11¾Ln 2010	100 xd		11.04	11.02
109	94	Asian Dev Bk 10¼pcLn2009	96		10.66	10.71
136	118	Australia 13½pc 2010	121		11.16	10.96
118	102	Do. 11½pcLn2015	104		10.92	10.90
115	101	Euro Inv Bk 11pc Ln 2002	102	....	10.71	10.62
110	96	Do. 10¼pc2004	97		10.60	10.63
126	111	Int-Am Dev Bk 12½pc 2003	113 xd		11.06	10.73
104	90	Do. 9¾pcLn 2015	91½		10.66	10.70
97	89	Mlysia 10¼pcLn 2009	89 xd		12.06	12.17
115	100	NZ 11¼pc 2008	102		11.02	10.99
123	102	Do 11½pc 2014	104		11.02	10.98
126	100	Sweden 13½pc Ln 2010	121		11.15	10.93
101	96	Utd. Mexican States 16½pc	101 xd		16.33	14.82

CORPORATION LOANS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
109	103	Birmingham 13½pc 1989	104		12.98	11.26
119	101	Do. 11½pc 2012	102		11.27	11.24
95	82	GLC 6¾pc 1990-92	88xd	.....	7.67	10.80
132	115	Leeds 13½pc 2006	117 xd	.....	11.51	13.94
32	22	Liverpool 3½pc Irred.	28xd	.....	12.50	—
96	85	LCC 6¾pc '88-90	88½	.....	7.63	11.40
31½	21	Do. 3pc '20 Aft.	21xd	.....	14.29	—
115	103	Manchester 11½pc 2007	104	.....	11.06	11.00

COMMONWEALTH & AFRICAN LOANS

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
92	80	NZ 7½pc 1988-92	85	.....	8.44	11.00
205	165	S Rhod 2½pc Non-Assd	204	.....	—	—
78	65	Do. 4½pc 87-92 Assd.	76	.....	—	—
130	70	Zimbabwe Ann (£100pa)	86½xd	.....	—	—

LOANS

Building Societies

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
101	100	N'wide Ang 11¾pc 26.10.87	100xd		11.75	11.80
101½	100	Do. 11½pc 23.11.87	100	.....	11.49	10.39
101	100	Do. 11 pc 21.12.87	100	.....	11.51	10.49
101	100	Do. 11¼pc 18.1.88	100		11.12	10.44
101½	99	Do. 10 pc 15.2.88	100		10.83	10.41
101	99	Do 10½pc 7.3.88	99		10.50	10.50
101	99	Do. 9 pc 11.4.88	99		9.97	10.62
102	98	Do. 9 pc 3.5.88	99 xd		9.75	10.83
101	98	Do. 8¾pc 23.5.88	99		8.98	10.84
100	98	Do. 8 pc 20.6.88	98	.....	9.06	10.71
100	98	Do. 9¾pc 11.7.88	99	.....	9.72	10.79
100	99	Do. 10pc 1.8.88	99		10.07	10.82
100	99	Do 10 pc 22.8.88	99		10.60	10.84
102	89	Do. 3¾pcILLn 2021	89	–½	4.52	4.66

Public Board and Ind.

1987 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
92½	84	Agric. Mt. 5pc '59-89	90	.....	5.52	10.70
48	38	Met. Wtr. 3pc 'B'	43xd	.....	6.98	10.40

FOREIGN BONDS & RAILS

1987 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
53	42	Greek 7pc Ass	53		3.50	6.60
52	40	Do. 6pc 28 Stb Ass.	52cl		3	5.77
50	45	Do 4pc Mixed Ass	50cl	...	2	4.23
66	58	Hung '24 Ass	65		2.75	4.23
146½	127	Hydro Quebec 15pc 2011	130		15.00	11.29
136	115	Iceland 14½pc Ln 2016	121 xd		14.50	11.81
103½	94	Ireland 9¾pc '91-96	95 xd		9.75	11.53

AMERICANS

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
42	32	Abbott Laboratories	35		$1.00	—	1.7
40	24	Alcoa $1	36½		$1.20	—	2.0
18	94p	Allegheny & W $0.01	94p		30c	—	1.9
19	8	Amax $1	16		—	—	—
30	17	Amdahl 5c	28		20c	—	0.4
35	25	Amer. Cyanamid $5	30		$1.90	—	3.9
25	18	Amer Express $0.60	21		76c	—	2.2
12	967p	Amer Medical Int. $1	962p	+15	672c	—	4.5
22	14	American T. & T. $1	20		$1.20	—	3.6
63	46	Ameritech $1	57		h$4.72	—	5.0
24	15	Amdahl	24		—	—	—
25	17	Anheuser-Busch $1	22 xd		$2.00	—	5.5
98p	45p	AndTech	87p		—	—	—
10	6	BankAmerica $1	6		—	—	—
30	25	Bankers N.Y. $10	27		$1.66	—	3.7
652p	279p	BASIX Corp	353p	+15	12c	—	1.9
49	36	Bell Atlantic $1	46		$3.84	—	5.1
27	21	BellSouth Corp.	24		$2.04	—	5.1
11	4	Bethlehem Steel $8	10		—	—	—
20	10	Bio-Rad Labs. Inc 'A'	14		—	—	—
27	18	Bowater Inc	25		60c	—	1.9
21	15	Browning-Ferris 16⅔c	19		40c	—	1.2
18	12	Brunswick	17		50c	—	1.1
36	25	CPC Intnl. 25c	32 xd		h$1.24	—	2.4
25	18	CSX Corp U S $1.00	23		$1.16	—	3.1

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
39	27¾	Rep NY Corpn $5	32⅞	.....	$1.16	—	2.2
18¾	14¼	Rockwell Intl. $1	14⅜	+⅛	66c	—	2.8
30⅞	22⅝	Sara Lee $1	26⅝xd	–⅛	$1.00	—	2.3
11⅞	8⅞	Saul (B. F.) $1	11⅞	–⅛	20c	—	1.1
27½	21¼	Southwestern Bell $1	26¼	–⅛	h$2.32	—	5.4
19½	14½	Staley Continental	18½	.....	80c	—	2.7
44⅞	34⅝	Sun Co. Inc. $1	35¾	–⅛	$3.00	—	5.1
42¼	28½	TRW Inc. $0.625	38½	–⅞	h$1.60	—	2.6
37½	25⅞	Tenneco $5	37⅞	+⅛	$3.04	—	5.0
220	149½	Do. 10pcLn Stk. 91-5	220xd	.....	10%	—	4.7
29⅝	17⅞	Texaco $6.25	24½xd	–½	$3.00	—	7.5
74⅞	47½	Time Inc. $1	64⅞xd	–⅛	$1.00	—	1.0
19⅝	11	Tracor $0.33	19½xd	.....	40c	—	1.3
30¼	18⅞	Transamerica $1	25½xd	–⅜	$1.84	—	4.4
14⅜	1½	Transworld Corp $5	11¼	–⅛	20c	—	1.0
27½	14⅞	TRINOVA Corp	25⅞	+⅞	h$1.00	—	2.4
24⅞	15⅞	USX $1	22⅞	–⅛	$1.20	—	3.3
19⅝	15⅞	Union Carbide $1	18½	–⅛	$1.50	—	5.0
37⅝	26⅜	Utd. Technologies	33½xd	–⅛	$1.40	—	2.6
38⅝	27	US West	35⅛	–⅛	$3.28	—	5.7
30½	17⅞	Waste Management $1	27⅞	+⅛	—	—	—
£31⅞	£20½	Whirlpool $1.0	£22⅞	+1⅞	—	—	—
37⅝	26	F.W.Woolworth $3½	28⅞	.....	$1.32	—	2.6

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

LEISURE

MOTORS

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

1987 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
228	150	Crown Eyeglass 5p	217	......	—	—	—	—
*62	6	Eglinton Explr. I.R.5	26	......	—	—	—	—
41	15	Do. Warrants	17	......	—	—	—	—
186	101	Far East Res. 10p	163	+3	—	—	—	—
108	30	Gardner (J.) 5p	103	+2	R1.25	2.3	1.7	35.7
53	29	Honorbilt Group 5p	45	–1	—	—	—	37.9
133	115	Leading Leisure 5p	123	......	0.9	3.1	1.0	35.6
90	68	Lynx Tech. 5p	85	......	b—	—	—	9.8
180	115	Medirace 10p	180	+2	—	—	—	—
90	44	♥Ovoca Gold IR0.02	78	+1	—	—	—	—
82	17	Publishing Hldgs.5p	64	–2	b—	—	—	37.1
87	45½	Theme Holdings	73	......	1.0	1.9	1.9	39.1
210	140	UPL Group 10p	218	+5	L2.41	2.8	1.6	—
140	111	Unit Group	140ø	......	R4.6	2.5	4.5	(10.0)

THIRD MARKET

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ *USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.*
- ‡‡ Dealt in under Rule 535(3).
- ø Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends *or ranking only for restricted dividend.*
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a *special* payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	98xd	......	Fin. 13% 97/02	£189⅝	+1
Craig & Rose £1	763	+33	Arnotts	370	+5
Finlay Pkg. 5p	112xd	+1	CPI Hldgs	92	+5
Holt (Jos) 25p	£10¾	+⅞	Carrol Inds.	189	......
IoM Stm. £1	298	+5	Dublin Gas	40ø	......
			Hall (R. & H.)	195	......
IRISH			Heiton Hldgs.	70	......
Fund 11¼% 1988	£100½xd	......	Irish Ropes	185	......
Nat. 9¾% 84/89	£98⅞	......	Unidare	430	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	13
Amstrad	19	Nat West Bk	65
BAT	62	P & O Dfd	65
BOC Grp	50	Plessey	20
BSR	17	Polly Peck	54
BTR	36	Racal Elect	32
Babcock	32	RHM	35
Barclays	52	Rank Org Ord	70
Beecham	52	Reed Intnl	50
Blue Circle	50	STC	30
Boots	30	Sears	16
Bowaters	50	TI	37
Brit Aerospace	50	TSB	12
Brit. Telecom	29	Tesco	18
Burton Ord	32	Thorn EMI	65
Cadburys	25	Trust Houses	25
Charter Cons.	45	Turner Newall	26
Comm Union	34	Unilever	62
Courtaulds	45	Vickers	20
FNFC	32	Wellcome	42
Gen Accident	95	**Property**	
GEC	22	Brit Land	30
Glaxo	200	Land Securities	50
Grand Met	50	MEPC	48
GUS 'A'	125	Peachey	40
Guardian	95	**Oils**	
GKN	38	Brit Petroleum	32
Hanson Tst.	17	Britoil	30
Hawker Sidd	58	Burmah Oil	52
ICI	125	Charterhall	10
Jaguar	52	Premier	11
Ladbroke	45	Shell	125
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	26
Lloyds Bank	35	**Mines**	
Lucas Inds.	75	Cons Gold	125
Marks & Spencer	22	Lonrho	28
Midland Bk	45	Rio T Zinc	100
Morgan Grenfell	55		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Sept 28	Oct 8	Oct 9	Oct 19
Oct 12	Oct 22	Oct 23	Nov 2
Oct 26	Nov 5	Nov 6	Nov 16

* New time dealings may take place from 9.00 am two business days earlier.

Equities in good form with speculative features to the fore but Gilts quiet

The UK stock market continued to advance strongly yesterday, with optimism on the outlook for the domestic economy encouraged by a confident speech to the Conservative Party Conference by Mr Nigel Lawson, the UK Chancellor of the Exchequer. However, London share prices slipped off their best levels when Wall Street opened on the downside.

Stocks were marked higher in early dealings, responding both to a powerful surge in the Tokyo markets, and steadiness in US stocks markets despite the increase in prime rates by major US banks. But disappointment with the outcome of the auction of US Treasury issues brought a dull start for British Government bonds.

The FT-SE 100 index, 17 points ahead at the first official reading, showed a net gain of 28 points before Wall Street opened. Wall Street's early fall, together the prospect of the end of the London market trading account today, brought some profit-taking in the late afternoon. The FT-SE 100 index closed a net 15.7 up on the day at 2375.5, while the FT Ordinary index at 1866.9 was 13.4 higher.

Once again, speculative stocks provided the feautres of the share market. Plessey, Reed, Pearson and Midland Bank all attracted buyers. However, the lack of any bid news left Ferranti a shade easier.

Turnover in the market leaders was not heavy, but spirits received a boost when Mr Lawson pledged a cut in UK income tax, and also predicted 4 per cent growth in the economy next year.

International investors currently face difficult choices when considering global investment strategies. Salomon Brothers, the US trading house, while taking a bullish view of world equity markets, told clients yesterday that the UK "could slightly underperform the average." It commented that the current upswing in the world economy started in the UK in late 1981 and has thus already outpaced previous world bull cycles. The firm believes that the West German and French equity markets could outperform the European average this year.

The UK clearing banks stood out strong as bid speculation returned to the foreground Midland Bank moved ahead strongly, while Lloyds also came in for support.

Similar speculative hopes kept the insurance sector aglow, despite the higher interest rate trend in the US, which could hurt the sector's earnings.

British Petroleum had a very quiet session, with major investors now squared up for the announcement of the fixed off price just a week hence. Rumours that major Arab producers might begin to discount OPEC prices have kept stock in the oil companies subdued this week.

The move to higher US bank lending rates took the top off South African gold shares but prices steadied as bullion prices showed no reaction to the prospect of higher warehouse charges.

UK Government bonds ended with net falls of about ¼ in lack lustre trading. The sector remains confident that domestic interest rates will be kept at present levels by firmness in the pound. Index-linked issues shed a further ⅛ point, indicating investor confidence that the UK Government will continue to resist inflationary pressures. Headline Equities in good form with speculative features to the fore but Gilts quiet.

The major clearing banks took a decisive step forward as bid speculation revived, notably in Midland Bank which gained 15 to 548p. Lloyds, 365p, Barclays, 633p, and NatWest, 770p, all moved higher in sympathy with Midland which gains often stretching into double figures.

Merchant Banks continued to edge higher, also on takeover hopes, Morgan Grenfell adding 3 more to 580p and Kleinwort 6 to 611p.

Composite Insurances continued to feature Commercial Union which shrugged aside "sell into strength" advice from BZW and gained 8½ more to 450p as buyers heavily outweighed sellers. General Accident moved higher in thin trading, rising ¼ to £11⅝. Pearl, mentioned as the next possible takeover candidate in the Life Insurance sector, rose 10 to 510p. Legal and General, deemed undervalued in the wake of recent takeover moves, put on 15 to 367p. Abbey Life were briskly traded and closed 11 higher at 339p.

Breweries trailed in the general advance. Of the leading issues, only Guinness made headway with the price rising 3 more to 378p awaiting positive developments regarding the Schenley Industries' stake of 30m shares. Regional Brewers were more interesting with the accent again on Boddington. Since Monday, when the shares were pointed out as a "cheap situation," buyers have forced the price up from around 143p to 163p.

The Building sector staged a revival in line with other equity sectors, however, market makers reported slow trading among leading issues and best levels were not always held. Blue Circle managed only a 2p rise at 482p, but Rugby were relatively well supported and rose 5 to 295p. RMC gained 8 to 537p mainly reflecting the presence of a solitary buyer, while Ireland's CRH put on 12 to 195p following its latest acquisition; the company is acquiring US lightweight aggregates concern Big River Industries for US$22m (£13.4m). BPB Industries picked up 5 at 349p following details of the company's new gypsum projects; the market interpreted the statement as a positive move to allay competition worries following Redland's move into the plasterboard market. Meyer International revived with a gain of 8 at 457p, while Magnet improved 3 to 281p. Marshalls (Halifax) attracted good support on thoughts that the break-up of the cement cartel should benefit the company and the close was 8 higher at 353p. Elsewhere, Henderson Group gained 10 to 359p on bid speculation following Press comment; the half-year results are due today. Ruberoid came on offer following an uninspiring set of half-year figures and dipped 17 to 163p.

ICI were unchanged at £16⅜; the third-quarter results are due on October 29. Among other Chemicals, Hickson International firmed 8 o 230p.

Retailers gave a warm reception to the Chancellor's pledge on income tax. Woolworth traded in volume and closed 17 up at 369p ahead of a presentation, part of an ongoing exercise, scheduled for next week. Burton rose 5 to 308p and W. H. Smith "A" advanced 6 to 407p. Secondary issues were also prominent and several registered double-figure gains. Gabicci put on 16 to 211p, Blanchards jumped 10 to 158p and Honeysuckle 11 to 177p. Celervision added 13 at 213p, while Goodman Bros spurted 7 to 71p following Press mention. Good first-haf profits lifted Austin Reed "A" 9 to 282p. Freemans took over the lead in the Mail Order sector, gaining 7 to 250p, but Empire, at 283p, refused to give back much of the recent sharp rise.

Plessey raced higher amid speculation that the group was endeavouring to negotiate the purchase of Inmos from Thorn EMI. Turnover expanded with some 12m shares going through the Seaq system, and the close was 10½ higher at 226p. Thorn EMI rose 6 to 722p. BICC gained 10 to 429p in a limited volume, while British Telecom advanced 3½ to 275½p and GEC 4 to 337p. Increased annual profits raised Druck 12 to 585p and IBL moved up 4 to 59p on the announcement that discussions were being held with a view to an offer being made because of financial problems. Crystalate put on 10 further to 273p and Cranbrook Electronic 7 to 105p.

TI Group firmed 8 to 466p on news that it had sold its welded tube business, TI Tube Products, for around £8.8m, while US acquisition news left James Neil — a few pence dearer at 256p. Reflecting speculative activity, Woodhouse and Rixson closed 12 up at 133p and Birmid Qualcast 5½ better at 271p.

Revived stores of a bid from General Cinemas accompanied fresh buying of Cadbury Schweppes, which improved 6 to 390p. Northern Foods were also a target for takeover conjecture, at 318p, while Dee Corporation maintained Wednesday's higher price level at 219p. Hopes of good preliminary figures, the announcement is scheduled for next Thursday, put a few pence on Bejam, at 257p.

Grand Metropolitan retained prime position among Hotels, influenced still by a presentation to Japanese investors, and gained 8 more to 589p.

Fisons continue to attract a considerable amount of interest, rising to around 391p before closing a shade better at 380p as several investment houses, including Warburg Securities and Nomura Securities, raised their sights on growth prospects in the wake of the company's announcement of Pentamidine, a new drug for Aids patients.

Other Pharmaceutical issues came to life after a recent lean spell. Glaxo, up ⅛ at £17⅛, took a turn for the better awaiting Monday's annual results. Beecham, assisted by a Shearson Lehman recommendation, improved 9 to 570p. Wellcome, however, featured late with a fall of 13 at 544p following talk of a Bill which may come before the US Senate modifying the monopoly status of the company's Aids drug Retrovir.

Elsewhere, Pearson, in which Rupert Murdoch recently acquired a near 15 per cent stake, advanced 20 to 985p in a small volume of business. Revived bid hopes left Bridon 7 to the good at 196p and Waterford Glass 4 better at 133p. Still responding to the bumper interim figures, Plumb Holding put on 9 further to 280p. Vinten were noteworthy for a fresh rise of 20 at 275p, while Johnston, down sharply in the previous trading session on the disappointing half-year figures, rallied 20 to 560p. British Aerospace firmed 3 to 549p helped by news of the order for five A340 aircraft from Sabena.

In the Leisure sector, Quadrant Group rose 12 to 222p in reply to the 55 per cent increase in first-half profits. Samuelson gained 8 to 138p in the wake of recent figures, while Brent Walker, half-year results due today, firmed 7 to 403p. Capari gained 12 to 323p on speculative buying, while Miss World were 8 higher at 280p.

Expectations of record production figures stimulated ERF, up 14 at 255p, while news of important new business for its sea skimming target systems took FR Group 14 higher to 429p. Lex Service revived with a rise of 12 to 515p and Western Motor bounced 24 to 592p on hopes of fresh expansion.

Blenheim, still responding to the proposed acquisition of PEL, improved afresh to close 10 higher at 870p. Acquisition news also helped Bunzl, 4 better at 254p, while interest revived in Saatchi and Saatchi which put on 16 to 563p. Olives Paper, however, eased 3 to 215p in the wake of the announcement that F and C Pacific Invesment Trust has sold its holding of 384.9m shares in the company.

Property shares put on a good performance. Among the leaders, Land Securities firmed 9 to 588p with the aid of a buy recommendation from Panmure Gordon. MEPC firmed 7 to 548p. Southend Stadium continued to make progress after the interim results and proposed rights issue, closing 10 to the good at 249p, while Randsworth Trust, still responding to the Farringdon Street property deal, improved 5 more to 249p.

Selective support was forthcoming for Textile issues, with Dawson improving 15 to 362p in the wake of an institutional visit to the company. S. Jerome rose 18 to 323p on further consideration of the half-year figures, while Tomkinsons were noteworthy in the Carpet sector for a gain of 15 at 570p.

Excitement in M & G Group centred on a report that Britannia Arrow had acquired a shareholding. The price spurted 21 to 413p although the latter group explained that it had held the stake for some time, having bought it via the M & G offer-for-sale last December. Parrish jumped 38 to 780p reflecting the transfer of the SBCI Savory Milln private clients and fund management activities to its stockbroking division. Numerous other bright features included Aitken Hume, 12 up at 160p, Silvermines 40 higher at 270p on the interim figures and Abaco, 9 dearer at 123p. Smith New Court rebounded 10 to 323p.

The Oil majors, dull on Wednesday reflecting Wall Street's sharp setback and revived OPEC uncertainties, staged a minor rally before falling back again. British Petroleum settled 2 off at 367p, while Ultramar, closed 5 cheaper at 297p, after 305p.

Overseas Traders were generally popular and Inchcape moved up 23 to 944p. Harrisons and Crosfield, with interim results due next Wednesday, rose 17 to 742p while Lonrho advanced 8½ further to 354½p.

Traded option activity was down on Wednesday with 48,286 contracts traded, comprising 35,152 calls and 13,134 puts. Business was fairly evenly spread throughout the list although Plessey were active with a total of 5,571 calls—2,802 in the February 220s and 1,712 in the November 240s. The FTSE contract contributed 1,394 calls and 1,766 puts.

Traditional Options

- First dealings Oct 5
- Last dealings Oct 16
- Last declaration Jan 7
- For Settlement Jan 18

For rate indications see end of London Share Service

Stocks dealt in for the call included Barratt Developments, Boddingtons Breweries, Ennex, Dares Estates, Astra Holdings, Aran Energy, BOM Holdings, Hawtin, Trusthouse Forte, Trimoco, FJC Lilley, Ossory Estates, Abaco, Eagle Trust, Dee Corporation, Ferranti, Saatchi and Saatchi and Edmonds Holdings. No puts or double options were reported.

FINANCIAL TIMES STOCK INDICES

	Oct. 8	Oct. 7	Oct. 6	Oct. 5	Oct. 2	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	85.68	85.65	85.74	85.86	85.65	83.21	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	91.88	91.90	91.88	91.76	92.16	89.70	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♡	1866.9	1853.5	1858.3	1873.7	1872.3	1268.1	1,926.2 (16/7)	1,320.2 (2/1)	1,926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	445.8	450.4	444.6	439.6	438.2	332.1	497.5 (4/8)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.15	3.17	3.16	3.14	3.14	4.39				
Earnings Yld.%(full)	7.73	7.78	7.76	7.70	7.68	10.07				
P/E Ratio (net) (*)	15.82	15.72	15.78	15.89	15.94	12.18				
SEAQ Bargains (5 pm)	42,163	36,404	37,443	44,261	37,884	—				
Equity Turnover (£m)	—	1615.08	1811.44	1658.21	1535.16	744.33				
Equity Bargains	—	39,660	45,596	54,153	41,900	24,614				
Shares Traded (ml)	—	508.1	559.3	681.4	523.0	304.8				

S.E. ACTIVITY

Indices	Oct. 7	Oct. 6
Gilt Edged Bargains	101.1	103.8
Equity Bargains	257.0	295.4
Equity Value	3264.5	3661.4
5-Day Average		
Gilt Edged Bargains	102.7	105.9
Equity Bargains	291.4	295.5
Equity Value	3390.0	3501.6

♡ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1867.3	1872.8	1676.0	1875.2	1875.7	1876.0	1872.1	1871.5

Day's High 1877.0 Day's Low 1866.3. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 15.67 * Nil=15.60.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (136)

AMERICANS (1), BANKS (2), BREWERS (4), BUILDINGS (5), CHEMICALS (3), STORES (8), ELECTRICALS (10), ENGINEERING (10), FOODS (2), INDUSTRIALS (29), INSURANCE (3), LEISURE (4), MOTORS (5), NEWSPAPERS (1), PAPERS (8), PROPERTY (1), SHOES (1), TEXTILES (4), TRUSTS (30), OVERSEAS TRADERS (1), PLANTATIONS (1), MINES (2), THIRD MARKET (1).

NEW LOWS (14)

BRITISH FUNDS (8) Tr. 2½ per cent I-L 2003, Tr. 2 per cent I-L 2006, Tr. 2½ per cent I-L 2009, Tr. 2½ per cent I-L 2011, Tr. 2½ per cent I-L 2013, Tr. 2½ per cent I-L 2006, Tr. 2½ per cent 2020, Tr. 2½ per cent 2024. AMERICANS (3) Allegheny and West., Home Grp., Man. Hanover, CANADIANS (1) Am. Lightwave, CHEMICALS (1) Novo Inds., STORES (1) Limited.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	4,300	200½	−4½	Jaguar	581	570	+2
Allied Lyons	4,300	433	−1	Ladbroke	222	460	+3
Amstrad	3,800	173	+5	Land Securities	679	538	+9
Argyll Group	1,400	234	+4	Legal & Gen.	3,900	367	+15
Assoc. Brit. Foods	699	366	−4	Lloyds Bank	1,000	365	+12
BAA	10,000	152	+4½	LASMO	448	362½	−5½
BAT	2,100	700	+3	Lonrho	6,000	354½	+8½
BET	1,680	302	+6	Lucas	810	769	—
BICC	554	429	+10	MEPC	1,000	548	+7
BOC	866	546	+1	Marks & Spencer	4,350	238	+3
BPB Inds	2,600	340	+5	Midland Bank	2,800	548	+15
BPCC	256	360	+1	Natwest Bank	811	770	+8
BTR	2,400	355	+5	Next	1,300	360	+5
Barclays	2,200	633	+5	Pearson	544	935	+20
Bass	313	964	−6	P & O	919	717½	+1½
Beecham	4,800	570	+9	Pilkington Bros	2,100	317	+3
Blue Arrow	2,900	167	+1	Plessey	12,000	226	+10½
Blue Circle	398	482	+2	Prudential	197	£11¼	+0⅛
Boots	1,500	309	+1	Racal	2,400	339	+1
Brit. Airways	7,800	549	+3	Rank Org.	3,500	738	+15
Brit. Aero	3,500	229	+4	RHM	323	362	+1
Brit. & Comm.	78	526	+1	Reckitt & Col	450	£10½	—
British Gas	12,000	172	+1	Redland	1,100	527	−2
Britoil	3,900	320	−6	Reed Intl	1,600	608	+7
BP	5,500	367	−2	Reuters	169	905	+9
Brit. Telecom	6,050	275½	+3½	RTZ	917	£14	+0¼
Bunzl	1,300	254	+4	Rolls-Royce	4,600	210	+1
Burton	6,800	308	+5	Rothmans Intl	1,100	437	+4
Cable & Wire	1,700	486	—	Rowntree	464	556	—
Cadbury Schwps	4,900	290	+6	Ryl Bank Scotland	401	438	+3
Coats Viyella	743	411	+3	Royal Insurance	2,400	588	—
Comm. Union	3,700	450	+8½	STC	4,450	319	+2½
Cons. Gold	362	£14⅜	—	Sainsbury	262	274	+3
Cookson	442	816	+4	Scott & Newcastle	468	263½	+1½
Courtaulds	964	517	+6	Sears	1,900	168	+0½
Dee Corpn	5,000	219	—	Sedgwick	699	293	+5
Dixons Group	1,200	392	+7	Shell Trans	1,400	£13½	−0⅛
English China Clays	1,500	568	+1	Smith & Nephew	1,400	194	—
Fisons	12,000	380	+1	Standard Chart	519	813	+8
Gen. Accident	389	£11⅝	+0¼	Storehouse	6,300	405	−3
Gen. Elect	4,800	237	+4	Sun Alliance	150	£12⅛	—
Glaxo	1,600	£17⅛	+0⅛	TSB	7,200	141	+4
Globe Investment	1,400	191½	+1	Tarmac	2,100	306	+5
Granada	437	361	+4	Tesco	738	189	+3
Grand Met	2,100	589	+8	Thorn EMI	4,600	722	+6
GUS "A"	340	£14	—	Trafalgar House	1,500	425	+6
Guardian R.E.	425	£10⅞	—	T'house Forte	5,700	278½	+1½
GKN	1,100	418	+3	Ultramar	3,900	368	+1
Guinness	2,800	378	+3	Unilever	598	633	+3
Hammerson	202	688	+8	United Biscuits	2,800	320	+1
Hanson Trust	5,250	185	+1½	Wellcome	3,700	544	−13
Hawker Sidd	1,100	608	−5	Whitbread "A"	1,000	341	+1
Hillsdown Hldgs	854	345	+3	Woolworth	4,900	369	+17
ICI	1,500	£16⅜	—				

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	30	61	21
Corporations, Dominion and Foreign Bonds	16	10	29
Industrials	716	246	618
Financial and Properties	272	84	269
Oils	44	21	49
Plantations	3	0	11
Mines	25	58	111
Others	73	107	66
Totals	1,179	587	1,174

FT-ACTUARIES INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Thursday October 8 1987

Figures in parentheses show number of stocks per section

	Equity groups & sub-sections	Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (Act at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Wed Oct 7 Index No.	Tue Oct 6 Index No.	Mon Oct 5 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (214)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2	Building Materials (30)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3	Contracting, Construction (33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	Electricals (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	Electronics (34)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6	Mechanical Engineering (60)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8	Metals and Metal Forming (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9	Motors (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10	Other Industrial Materials (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21	CONSUMER GROUP (185)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22	Brewers and Distillers (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25	Food Manufacturing (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26	Food Retailing (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27	Health and Household Products (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29	Leisure (31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31	Packaging & Paper (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32	Publishing & Printing (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34	Stores (35)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35	Textiles (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40	OTHER GROUPS (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41	Agencies (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42	Chemicals (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43	Conglomerates (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45	Shipping and Transport (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47	Telephone Networks (2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48	Miscellaneous (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49	INDUSTRIAL GROUP (435)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51	Oil & Gas (17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59	500 SHARE INDEX (500)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61	FINANCIAL GROUP (119)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62	Banks (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65	Insurance (Life) (9)	1257.93	+1.8	—	3.52	—	25.73	1256.18	1233.61	1257.18	815.31
66	Insurance (Composite) (7)	701.71	+0.7	—	3.93	—	15.97	696.57	687.79	700.88	457.79
67	Insurance (Brokers) (8)	1273.51	+0.8	8.72	4.50	14.67	36.87	1263.70	1266.25	1274.24	1273.18
68	Merchant Banks (12)	535.10	+0.2	—	2.42	—	8.31	534.28	535.42	535.50	322.86
69	Property (48)	1334.56	+1.1	3.63	2.22	35.60	14.54	1320.69	1326.33	1335.99	743.86
70	Other Financial (27)	599.72	+1.2	5.82	2.64	21.95	9.51	592.86	598.56	596.05	336.76
71	Investment Trusts (89)	1202.65	+0.6	—	2.04	—	14.35	1196.07	1202.66	1207.90	738.35
81	Mining Finance (2)	701.93	+1.1	6.51	2.49	17.45	10.41	694.51	694.51	684.62	345.86
91	Overseas Traders (10)	1349.74	+1.8	6.97	3.53	16.95	29.58	1325.70	1313.96	1321.59	685.91
99	ALL-SHARE INDEX (720)	1232.65	+0.7	—	2.99	—	21.48	1210.10	1213.82	1222.11	790.69

	Index No.	Day's Change	Day's High	Day's Low	Oct 7	Oct 6	Oct 5	Oct 2	Oct 1	Year ago
FT-SE 100 SHARE INDEX ♡	2375.5	+15.7	2387.9	2375.0	2359.8	2367.9	2385.8	2302.2	2373.0	1608.6

FIXED INTEREST

	PRICE INDICES	Thu Oct 8	Day's change %	Wed Oct 7	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	120.19	+0.02	120.17	—	9.33
2	5-15 years	134.54	−0.01	134.55	—	10.50
3	Over 15 years	141.83	−0.30	142.27	—	10.29
4	Irredeemables	156.14	+0.07	156.04	—	8.81
5	All stocks	131.98	−0.05	132.05	—	10.15
	Index-Linked					
6	5 years	119.69	−0.01	119.71	—	2.18
7	Over 5 years	108.77	−0.47	109.20	—	2.60
8	All stocks	109.51	−0.43	109.99	—	2.55
9	Debentures & Loans	114.45	+0.02	114.64	—	3.07
10	Preference	83.21		83.21	—	4.89

	AVERAGE GROSS REDEMPTION YIELDS		Thu Oct 8	Wed Oct 7	Year ago (approx.)
	British Government				
1	Low	5 years	9.58	9.50	9.62
2	Coupons	15 years	9.89	9.86	10.21
3		25 years	9.72	9.69	10.22
4	Medium	5 years	10.29	10.29	11.10
5	Coupons	15 years	10.15	10.12	10.61
6		25 years	9.94	9.90	10.26
7	High	5 years	10.36	10.36	11.18
8	Coupons	15 years	10.31	10.29	10.83
9		25 years	9.96	9.94	10.38
10	Irredeemables†		9.93	9.93	10.02
	Index-Linked				
11	Inflation rate 5%	5yrs.	3.63	3.62	4.59
12	Inflation rate 5%	Over 5 yrs.	4.28	4.25	3.75
13	Inflation rate 10%	5 yrs.	3.68	3.67	3.28
14	Inflation rate 10%	Over 5 yrs.	4.30	4.26	3.60
15	Debs &	5 years	11.54	11.64	11.57
16	Loans	15 years	11.48	11.48	11.52
17		25 years	11.31	11.31	11.48
18	Preference†		10.92	10.92	11.35

♡Opening index 2377.5; 10 am 2381.2; 11 am 2383.9; Noon 2384.7; 1 pm 2386.4; 2 pm 2386.9; 3 pm 2382.6; 3.30 pm 2381.8; 4 pm 2382.2

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

GERMANY

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (Continued)

[illegible]

HONG KONG

[illegible]

JAPAN

[illegible]

JAPAN (Continued)

[illegible]

SINGAPORE

[illegible]

SOUTH AFRICA

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner

CANADA

TORONTO

Prices at 2.30pm

Sales	Stock	High	Low	Close	Chng
1634	AMCA Int	$12⅝	12½	12½	
27961	Abitibi Pr	$33¾	33⅝	33⅝	-⅛
2725	Agnico E	$35	34⅞	35	
20545	Albrta En	$20⅝	20½	20½	-¼
300	Albrta N	$14½	14½	14½	-⅛
157615	Alcan	$47⅛	45⅞	45⅞	-⅞
400	Algo Cent	$21⅜	21	21	
12733	Algoma St	$22¼	21¾	22⅛	+⅞
2800	Asamera	$11½	11¼	11¼	-⅛
6922	Atco I f	$12¼	11⅞	12	-⅜
1000	Atco II	$12⅛	12⅛	12⅛	
1102	Bk BCol	72	72	72	
1600	BC Sugar A	$28½	28¼	28¼	-⅛
3200	BGR A	$14⅞	14⅝	14¾	
20401	BP Canada	$24	23½	23⅝	-⅜
19850	Banister C	$13⅛	12¾	13	-⅛
61674	Bk Montl	$30	29¾	29⅞	+⅛
310586	Bk NScot	$14⅝	14⅜	14⅝	+⅛
120725	Bell Can	$38½	37⅝	38	-¼
129923	Bow Valy	$19⅝	19⅛	19¼	
1450	Bralorne	195	180	195	-5
24500	Bramalea	$23	22⅞	23	+⅛
10200	Brascan A	$39	38⅝	38⅞	+¼
43250	Brkwater	$8⅛	7⅞	8⅛	+¼
1200	Brenda M	$15	14⅝	14⅞	-⅛
2303	BC ForP	$24½	24¼	24¼	-¼
20260	BC Res	106	104	104	-4
13083	BC Phone	$25⅝	25⅜	25⅜	-⅛
2731	Brunswk	$15⅛	15	15	
24094	CAE	$9⅜	9¼	9⅜	⅛
171860	CCL B f	$10¼	10	10	
600	CIL	$32¼	32⅛	32⅛	-⅛
3900	Cad Frv	$33⅜	33⅜	33⅜	
2810	Cambridg	$27¼	27	27	¼
[illegible]					
88460	CTire A f	$14⅞	14⅝	14¾	+⅛
4640	CUtil A f	$18½	18⅜	18⅜	-⅜
100	CUtil B	$19	19	19	+⅛
11600	Cantor	$35½	35⅜	35⅜	+⅜
8035	Cara	$12⅝	12½	12½	
1100	Cara A f	$11⅞	11⅞	11⅞	⅛
18211	Carma A	30	28	30	
250	Celanese	$21	21	21	+¼
11975	CentFd A	$8⅛	8	8	-⅛
1100	Chieftan	$13	13	13	
148835	Cominco	$21¾	21¼	21¼	-⅜

Sales	Stock	High	Low	Close	Chng
48800	Computlog	$7⅝	7½	7½	
2600	Comput In	273	270	270	-3
104142	Con Bath A	$22½	22	22¼	+¼
73470	CDistb B f	$5⅝	5¼	5½	+⅜
2400	Cons Gas	$25	24⅞	24⅞	+⅛
210	CTL Bank	320	320	320	
27	Conwst B	$13⅜	13⅜	13⅜	
1276	Corby	$20	20	20	
4000	Coseka R	93	92	92	-1
400	Crownx	$16⅝	16⅝	16⅝	-⅝
7323	Crownx A f	$8	7⅞	7⅞	-⅛
2000	Czar Res	205	205	205	-4
2275	Denison A p	$7¼	7	7	
4200	Denison B f	$6⅞	6⅝	6¾	
1200	Dicknsn A f	$13⅛	13	13⅛	+⅛
100	Dicknsn B	$16	16	16	-¼
38805	Dofasco	$28⅝	28⅛	28⅜	
224624	Dome Pete	112	108	110	
650	D Textile	$20	20	20	+⅛
3706	Domtar	$21¼	20⅞	20⅞	⅝
10200	Donohue	$37¼	37¼	37¼	
850	Du Pont A	$31	31	31	-½
68472	Dylex A	$12¼	11¼	11¼	-¾
138179	Echo Bay	$35¼	34¼	34¾	
300	FCA Intl	$14¼	14	14	
82582	Fcnbrdg	$29⅞	28½	29¾	+⅛
2800	Fed Ind A	$16¼	16⅛	16⅛	
7000	Fed Pion	$12	11⅞	11⅞	
900	FCity Fin	$19	18¾	18¾	½
420	Ford Cnda	$180	178	178	
24800	Gendall	$10⅝	10⅜	10⅝	+¼
1200	Geac Comp	205	200	205	
2900	Gendis A	$16¾	16¼	16⅜	-⅜
3600	Gibrltar	$12⅛	12	12	
26500	Goldcorp f	$10⅛	9¾	9⅞	⅛
400	Grafton A f	$14⅛	14	14	⅛
2150	GL Forest	$58	55½	55½	
500	Greyhnd	$25	24¾	24¾	½
[illegible]					
26150	Intl Thom	$14¾	14⅝	14¾	+⅛
6155	Intpr Pipe	$49½	48	48	1½
1500	Ipsco	$12¼	12¼	12¼	
200	Ivaco A f	$16⅜	16⅜	16⅜	+⅛
13538	Jannock	$24¼	23¾	23¾	½
1252	Kerr Add	$26⅝	26⅝	26⅝	⅛
200	Kiena Gld	$19¼	19¼	19¼	+¼
55578	Labatt	$27⅞	27⅝	27⅝	-⅜
715371	LL Lac	$16⅞	16⅝	16⅞	+⅝
33550	Lacana	$21¾	21¼	21¾	+½
11315	Laidlaw A	$21⅜	21	21	-⅜
80215	Laidlw B f	$20⅝	20⅛	20⅛	-⅜

Sales	Stock	High	Low	Close	Chng
9000	Leigh Inst	$5⅞	5⅝	[illegible]	
4350	Loblaw Co	$14¼	14	[illegible]	
1400	Lumonics	$9⅛	9	[illegible]	
500	MSR Ex	325	325	[illegible]	
9136	Mclan H X	$22	21⅞	[illegible]	
293008	Macmillan	$30¾	30⅜	[illegible]	
146993	Magna A f	$19	18⅝	[illegible]	
1565	Mariume f	$15	14⅞	[illegible]	
4500	Minrl Res	400	400	[illegible]	
14910	Mitel Corp	$5½	5⅜	[illegible]	
31490	Molson A f	$24⅝	24	[illegible]	
1250	Molson B	$25	25	[illegible]	
21000	M Trusco	$15	14¾	[illegible]	
31350	Moore	$31¼	30⅝	[illegible]	
57178	Nat Bk Can	$12¾	12¼	[illegible]	
4307	Nt Vg Trco	$21½	20¾	[illegible]	
25100	Nfl CapA f	$10¼	9⅞	[illegible]	
1200	Nfld LP A	$19½	19¼	[illegible]	
234341	Noranda	$35	34½	[illegible]	
4266	Norcen	$23½	23¼	[illegible]	
3830	Norcn ord f	$20⅞	20½	[illegible]	
52863	NC Oils	$23⅝	23¼	[illegible]	
438274	Nor Tel	$26¾	26¼	[illegible]	
1700	Northgat	$9	9	[illegible]	
6000	Nowsco W	$21¼	21⅛	[illegible]	
1000	Nu West	40	40	[illegible]	
60500	Numac	$11¾	11⅝	[illegible]	
2100	Oakwood	365	360	[illegible]	
2105	Oakwd A f	205	200	[illegible]	
5000	Ocelot B f	$5¾	5⅝	[illegible]	
678	Omega Hyd	$8⅛	8⅛	[illegible]	
130185	Oshawa A f	$21¾	21⅜	[illegible]	
21350	PacW Airl	$24⅝	23⅞	[illegible]	
12008	Pgurin A f	$11¼	11⅛	[illegible]	
25600	Pamour	$14½	14⅛	[illegible]	
2590	PanCan P	$30¾	30¼	[illegible]	
32387	Pegasus	$30⅞	30⅝	[illegible]	
1000	PJewl A f	$12⅞	12⅞	[illegible]	
5400	Poco Pet	$16¾	[illegible]	[illegible]	
[illegible]					
18197	Rio Algom	$23	22⅞	23	+⅛
26231	Rogers B f	$25⅜	24⅞	25⅛	+⅛
200	Roman	$14¾	14¾	14¾	+⅛
200	Rothman	$49	49	49	
244936	Royal Bnk	$31½	31¼	31⅜	⅛
16334	RyTrco A	$15½	15⅛	15¼	
524430	Royex	$8⅛	7¾	8	
12525	SHL Syst	$30⅝	30½	30⅝	-⅛
38000	StL CemA f	$16	15⅞	16	+¾
12082	Sceptre	$5¼	5⅛	5¼	
414	Scot Paper	$17⅞	17½	17½	⅜
600	Scotts f	$12⅜	12¼	12¼	-⅛

Sales	Stock	High	Low	Close	Chng
[illegible]					
4843	DomTxtA	$19⅛	19¼	19⅛	-⅛
1700	MntTrst	$15⅛	15	15	
154452	NatBk Cda	$12¾	12⅛	12⅛	-⅝
268625	Noverco	$11½	11⅛	11¼	+⅛
50750	Power Corp	$16¼	15¾	16	
15272	Provigo	$10¼	09¾	09⅞	-⅜
18237	Repap Enb	$19⅜	19	19⅛	+⅛
500	RollandA	$13¾	13¾	13¾	
123932	Royal Bank	$31½	31⅛	31⅛	-⅜
1650	SteinbrgA	$38	37½	37¾	-¼
8235	Videotron	$14	13⅝	13¾	+⅛

Total Sales 7,158,067 shares

MONTREAL

Closing prices October 8

[illegible]

Indices

NEW YORK-DOW JONES

	Oct 8	Oct 7	Oct 6	Oct 5	Oct 2	Oct 1	1986/87 High	1986/87 Low	Since Compilation High	Since Compilation Low
Industrials	2,516.81	2,551.08	2,548.63	2,640.18	2,640.99	2,639.20	2722.42 (25/8/87)	1927.31 (2/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Transport	1,030.46	1,044.92	1,049.79	1,083.22	1,084.41	1,082.17	1101.16 (14/8)	816.38 (2/1)	1101.16 (14/8)	12.32 (8/7/32)
Utilities	187.81	188.81	197.8	201.04	200.75	199.74	227.83 (22/1/87)	181.39 (20/5)	227.83 (8/4/87)	10.5 (8/4/32)
Trading vol	—	187.148m	177.590m	169.840m	189.070m	183.200m	—	—		

	Oct 2	Sept 25	Sept 18	Year Ago (Approx)
Ind Div Yield %	2.61	2.68	2.73	3.86

STANDARD AND POORS

	Oct 8	Oct 7	Oct 6	Oct 5	Oct 2	Oct 1	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Industrials	365.46	372.17	372.02	383.46	382.28	382.28	393.17 (25/8)	274.58 (2/1/87)	393.17 (25/8)	3.62 (21/6/32)
Composite	314.17	318.54	318.22	328.08	328.07	327.33	336.77 (25/8)	246.45 (2/1/87)	336.77 (25/8)	4.40 (1/6/32)

	Sept 30	Sept 23	Sept 16	Year Ago (Approx)
Ind div yield %	2.31	2.32	2.38	3.13
Ind. P/E Ratio	23.28	22.17	22.71	18.71
Long Gov Bond Yield	8.16	9.78	9.85	8.03

N.Y.S.E. ALL COMMON

Oct 8	Oct 7	Oct 6	Oct 5	1987 High	1987 Low
178.32	178.55	178.98	183.44	187.99 (25/8)	141.81 (21/1)

RISES AND FALLS

	Oct 7	Oct 6	Oct 5
Issues traded	1,978	1,971	1,981
Rises	541	329	682
Falls	1,009	1,321	837
Unchanged	428	321	432

TORONTO	Oct 8	Oct 7	Oct 6	Oct 5	1987 High	1987 Low
Metals & Minls	1,988.21	3,407.8	3,432.5	3,587.5	3,587.5 (5/10/87)	1,888.2 (2/1/88)
Composite	3,888.3	3,938.4	3,861.9	3,818.18	4,112.8 (13/8)	3,867.8 (2/1/88)
MONTREAL Portfolio	1,875.77	1,895.13	1,901.48	1,938.30	2,224.77 (18/7/87)	1,534.3 (2/1/85)

* Indicates pre-close figure

	Oct. 8	Oct. 7	Oct 6	Oct. 5	1987 High	1987 Low
AUSTRALIA						
All Ord (1/1/80)	2229.2	2217.3	2247.0	2253.4	2305.9 (21/9)	1486.7 (2/2)
Metals & Minerals (1/1/80)	1363.9	1358.2	1377.4	1388.8	1462.4 (21/9)	729.1 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	230.03	229.56	227.72	228.83	232.19 (22/9)	182.21 (19/6)
BELGIUM						
Brussels SE (1/1/84)	5062.10	5083.60	5126.70	5138.70	5415.20 (13/8)	3987.86 (9/1)
DENMARK						
Copenhagen SE (3/1/83)	(a)	211.17	209.59	208.31	219.76 (27/8)	189.64 (6/1)
FINLAND						
Unitas General (1975)	666.3	654.2	650.9	647.9	666.3 (8/10)	425.2 (5/1)
FRANCE						
CAC General (31/12/82)	407.30	406.20	410.90	410.7	460.4 (26/3)	392.0 (2/1)
Ind Tendance (31/12/86)	106.00	105.70	106.90	107.10	117.2 (26/3)	97.8 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	644.94	642.86	650.41	657.80	676.84 (6/1)	538.32 (19/3)
Commerzbank (1/12/53)	1980.00	1972.80	1990.40	2010.80	2061.30 (17/8)	1633.8 (19/3)
HONG KONG						
Hang Seng Bank (31/7/64)	(c)	3936.13	3906.44	3904.24	3949.73 (1/10)	2049.88 (20/1)
ITALY						
Banca Com. Ital (1972)	657.90	654.99	653.62	644.54	767.34 (30/4)	588.83 (15/9)
JAPAN**						
Nikkei (16/5/49)	26286.75	25952.27	26088.97	26018.33	26286.75 (8/10)	18544.0 (13/1)
Tokyo SE New (4/1/68)	2154.37	2121.29	2131.61	2119.87	2258.56 (11/6)	1557.46 (13/1)
NETHERLANDS						
ANP CBS Gen (1970)	(a)	307.70	312.00	(a)	334.10 (14/8)	257.7 (28/1)
ANP CBS Indust. (1970)	(a)	257.50	261.40	262.30	280.80 (11/8)	243.7 (20/1)
NORWAY						
Oslo SE (4/1/83)	578.09	571.70	581.99	582.14	592.04 (21/9)	361.90 (2/1)
SINGAPORE						
Straits Times (30/12/66)	1451.90	1449.80	1450.70	1439.96	1505.40 (26/8)	809.08 (2/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	(a)	2380	2280.0	2242.8	2499.0 (3/8)	1786.8 (19/3)
JSE Indust (28/9/78)	(a)	2243	2234.0	2230.0	2257.0 (30/9)	1423.0 (2/1)
SPAIN						
Madrid SE (30/12/85)	(a)	324.11	325.44	325.44	325.44 (5/10)	202.89 (8/5)
SWEDEN						
Jacobson & P. (31/12/56)	3267.10	3253.3	3253.30	3227.90	3467.30 (8/10)	2111.39 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	724.70	727.10	727.30	729.70	729.70 (5/10)	559.7 (25/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(a)	404.50	405.1	408.3	415.9 (27/8)	361.3 (2/1)

**Saturday October 3: Japan Nikkei 26,006.59, TSE 2123.53

Base values of all indices are 100 except Brussels SE—1,000 JSE Gold—255.7 JSE Industrials—264.3 and Australia, All Ordinary and Metals—500; NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 transports. (c) Closed. (u) Unavailable.

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day
Centerior Energy	23,056,400	18⅛	-⅛
Limited Inc	2,854,300	29	-2
Sierra Pacific	2,805,100	22⅛	-⅛
Ford Motor	1,654,500	93⅜	-1⅜
Chrysler	1,525,100	38	-1⅝
General Motors	1,434,300	75¾	2½
Gap Inc	1,333,200	31⅜	2⅞
Unisys	1,323,100	44¾	⅛
General Electric	1,287,900	59¾	1⅞
AT&T	1,326,400	32⅜	1

LONDON – Most Active Stocks
Thursday, October 8, 1987

	Stocks Traded	Closing Price	Change on Day
Brit Gas	12.8m	172	+1
Fisons	12.0m	388	+1
Plessey	12.0m	226	+18½
BAA	10.0m	152	+4½
Brit Airways	7.8m	549	+3
Burton	6.8m	388	+5
Standhouse	6.3m	485	3
Brit Telecom	6.1m	275½	+3½
Lonrho	6.0m	354½	+8½
T'hse Forte	5.7m	278½	+1½

TOKYO – Most Active Stocks
Thursday, October 8, 1987

	Stocks Traded	Closing Prices	Change on Day
Nippon Steel	482.22m	442	+17
Mitsubishi Heavy Ind.	120.77m	785	+48
Toshiba	96.14m	832	+24
Hitachi Ltd	72.30m	1,590	+40
Sumitomo Metal	39.82m	333	+16
Kawasaki Stl	25.59m	337	+18
NEC	20.95m	2,618	+38
Mitsubishi Elec	19.46m	710	+22
Kobe Steel	18.83m	324	+16
Fujitsu	18.85m	1,590	+50

LONDON Chief price changes
(in pence unless otherwise indicated)

RISES:

Aitken Hme	180	+12
Blanchards	158	+10
CRH	195	+12
Cryst. Hldgs	273	+10
Daws. Intl.	362	+15
E.R.F. Hldgs	255	+14
FR Gr.	429	+14
Babiod	211	+16
Henderson Gr.	550	+10
Honeyskle Gr.	177	+11
Inchcape	644	+23
Lgl & Gnrl	367	+15
Llyds Bk	365	+12
M & G Gr.	413	+21
Mid. Bk	548	+15
Pearson	985	+20
Plessey	226	+10½
Quad. Gr.	222	+12
Silvermines	270	+40
Smth Nw Crt	323	+10
Wlwrth Hldgs	369	+17

FALLS:

Ruberoid	163	-17
Wellcome	544	-13

OVER-THE-COUNTER *Nasdaq national market, closing prices*

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Closing prices, October 8

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock		Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
38 1/2	22	AAR	s	.50	1.4	22	542	35 1/4	34 3/4	34 3/4	- 1/2
52	29 3/4	AOT		.92	1.8	29	24	52	51 1/2	51 5/8	+ 1/8
32 1/2	17	AFG	s	.16	.5	11	606	31 7/8	31 1/8	31 1/4	- 1/2
27	9	AGS	s			22	446	24 5/8	23 5/8	24	+ 1/8
8 5/8	5 1/8	AM	Intl			67	1513	7 1/2	7 1/4	7 3/8	- 1/8
65 1/2	50 1/2	AMR				11	5351	54	51 3/4	52 1/2	- 1 1/2
27 1/2	24 7/8	ANR	pf	2.67	11.		9	25 1/8	25	25 1/8	+ 1/8
38 3/4	35	ARCO	n				1976	36 3/4	35 1/2	36	- 3/4
12 1/4	8 1/4	ARX	s			11	245	10 7/8	10 3/4	10 3/4	- 1/4
73 1/2	34 3/8	ASA		2a	3.1		800	64 1/4	62 3/8	64 1/4	+ 1 7/8
22 3/8	9 3/4	AVX				41	164	21 3/8	20	20 1/4	- 1 1/8
67	41 7/8	AbtLab		1	1.7	23	x5171	58 1/2	56 7/8	57 1/4	- 1
29	23 1/4	Abitibi	g				x1077	26	25 5/8	25 7/8	+ 1/8
16 3/8	9 3/4	AcmeC		.40	2.7	15	537	15 1/2	14 5/8	14 3/4	- 3/4
10 1/2	6 1/8	AcmeE		.32b	3.6	56	13	9 3/8	9	9	- 1/4
23 7/8	19	AdaEx		3.42e	16.		216	22 1/8	21 7/8	22	+ 1/8
19 1/2	10	AdmM	s	.24	1.8	10	165	13 3/8	12 7/8	13	- 1/8
28 7/8	12 1/8	AdvSys		.62i	2.4	17	138	26	25 3/4	26	
24 7/8	12 7/8	AMD					7684	23 1/2	22 5/8	22 7/8	- 1/8
56 3/4	47	AMD	pf	3	5.5		1407	55 1/4	54 1/2	54 7/8	- 1/8
11 7/8	5 1/4	Adobe					124	9	8 7/8	8 7/8	
20 1/2	14 3/4	Adob	pf	1.84	9.7		5	18 7/8	18 7/8	18 7/8	
21 7/8	17	Adob	pf	2.40	12.		5	20 1/2	20 1/2	20 1/2	
15	10 3/8	Advest		.12a	1.1	9	169	11 3/8	11 1/8	11 1/8	- 3/8
68 1/4	53	AetnLf		2.76	4.6	8	x10658	60 5/8	59 3/4	60 1/8	

Continued on Page 49

NYSE COMPOSITE CLOSING PRICES

Continued from Page 48

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33⅞	18⅝	Yorkin			15	247	33	32⅝	32⅝	¼
7¼	2¼	Zapata				644	4⅜	4½	4⅜	
37	20¾	Zayre	.40	1.2	12	4285	33½	32	32½	−1
18⅝	10½	Zemex	.40	2.5	10	54	16	15⅝	16	+⅞
33⅝	18⅞	ZenithE			194	1846	26¼	25¾	25⅞	+⅛
13½	6¼	ZenLab				625	7⅛	6⅝	7⅛	+⅜
26½	18¾	ZenNtl	.80	3.7	13	109	21⅝	21½	21½	−¼
20⅝	12⅝	Zero	.36	2.0	18	73	18¾	18⅛	18⅝	¼
30¾	17¾	Zurmin s .88		2.6	18	182	26⅝	25⅜	26⅛	⅝
10⅝	6¾	Zweig	.65e	6.4		694	10¼	10⅛	10⅛	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, October 8

Stock	Div	P/E	Sls 100s	High	Low	Close	Chnge
A A							
AT&E			293	19⅛	18	18	−1
AcmePr			30	3¼	3¼	3¼	−⅛
Actone			148	20¼	19¾	20	
AdRusll		300	99	42¼	41⅞	42	
AlbaW		12	58	9¼	9¼	9¼	+⅛
Alphaln			61	8⅜	8	8	−⅜
Alza		160	555	37½	36⅝	36⅞	−⅝
Amdahl	.20	26	3280	48⅛	46⅞	47¼	−¼
Alsrael	.31e	9	5	25⅛	25⅛	25⅛	+⅜
AMzeA	.52	10	31	23⅞	23⅝	23¾	−¼
AMzeB	.52	10	35	22¼	21⅞	22¼	
AMBld			125	3⅛	3	3	−⅛
APetf		18	20	72½	72½	72½	−¼
AProc	.20	60	4	14½	14½	14½	
AmRoyl 1.33e		4	55	8⅝	8½	8½	
AScIE		225	21	4⅝	4½	4½	
Ampal	.06	5	44	2¾	2⅝	2⅝	−⅛
Andal		4	27	8⅛	8	8⅛	−⅛
ArzCmn			29	7¼	d 7⅛	7⅛	+¼
Armtrn			30	3	3	3	
Arundl		8	15	32½	32⅛	32⅛	−⅝
Asmrg	.20		340	8⅞	8½	8⅝	−¼
Astrotc			1720	½	⅜	7-16	
Atarls		15	201	11¾	11⅜	11¼	−½
AtlsCM			119	1⅜	1¼	1⅜	+⅛
Atlaswt			108	25¼	24⅝	24½	−1
B B							
BAT	.27e	14	408	11 7-16	11 5-16	11 5-16	
D D							
DI Ind			14	2	1⅞	1⅞	−⅛
DWG		10	72	6⅞	6⅞	6⅞	
Damson			545	⅜	5-16	⅜	
DataPd	.16	33	235	11¼	10⅞	11	−⅛
Delmed			469	1⅜	1 5-16	1 5-16	−1-16
Dillard	.16	19	1544	46⅞	44	45	−1¾
Diodes			11	3⅝	3½	3½	
DomeP			619	⅞	13-16	⅞	
Ducom	.20	13	69	18⅛	17½	17¾	
E E							
EAC			18	7⅛	7⅛	7⅛	
EagIC			33	1¾	1¾	1¾	
EstnCo	1	14	9	32¾	32½	32½	−⅜
Espp 2.90e		11	5	27⅝	27½	27⅝	
EchB gs		69	7227	26⅞	26⅛	26¾	+⅛
EcolEn	.06e		60	18⅞	18⅜	18½	−⅜
Elsinor			21	2¾	2¾	2¾	−⅛
EmpAn	.22e		268	3⅞	3¾	3¾	
ENSCO		26	632	5⅝	5⅜	5⅜	−⅛
EntMkt		26	304	8	7⅝	7⅞	−⅛
Espey	.40	16	15	21¼	20¾	20¾	−¼
F F							
Fabind	.60	13	32	40½	40	40	−¾
Fidata			2	8⅝	8⅝	8⅝	−⅛
FAusPr 1.06e			1689	8¾	8½	8⅝	
FischP	.81t	62	68	14⅛	13⅝	13⅝	−⅜
vjFlanig		8	27	7	7	7	
Fluke	1.28t	23	45	29⅜	28⅞	28⅞	−⅛
I I							
ICH		9	1218	11⅜	11	11¼	+¼
ImpOilg 1.60			119	58¾	58⅛	58⅛	−¼
InstSy		13	180	2	2	2	
IntlgSy	.18	12	299	7⅞	7¾	7¾	−⅛
IntClyg	.60	22	13	13⅛	13⅛	13⅛	−⅛
Intrmk	.10	26	79	13¼	13⅛	13⅛	
IntBknt			320	5⅜	5¼	5⅜	+⅛
IntPwr			2	7⅜	7⅜	7⅜	
IroqBrd		9	13	28½	28	28	−⅝
J K							
Jacobs		52	47	17¾	17¼	17¼	−⅜
JohnPd			139	4⅜	3¾	4	−½
JohnInd		9	35	23¼	23	23	−⅜
KayCp	.12	6	25	13	12¾	12¾	−¼
KeyCoA	.20e	163	1	3¼	3¼	3¼	−⅛
Kirby			42	4¼	4¼	4¼	−⅛
KogerC 2.40		155	24	30	29⅝	29⅝	−⅜
L L							
LaBarg		7	42	1⅝	1½	1½	
LdmkSv	.20	8	62	8⅛	7⅞	8	−⅛
Laser		11	100	12¼	12	12	−⅛
LeePhs		14	93	4⅞	4⅝	4¾	
LeisurT		7	63	7⅞	7¼	7¼	−½
Lillime		39	158	4⅝	4½	4⅝	
Lillvun			477	1¼	1	1¼	+⅜
Lionel		15	332	8	7¾	7⅞	−¼
LorTel		15	1003	15⅝	15	15½	−½
Lumex	.08	13	93	15⅜	14⅞	14⅞	
LynchC	.20	28	3	17⅝	17⅝	17⅝	
M M							
MCO Hd			20	16½	16½	16½	
MCO Rs			25	11-16	⅝	⅝	−1-16
MSI Dt		37	169	22⅝	22¼	22¼	
MSR			42	2⅝	2⅜	2⅝	+⅛
MetRsh			13	8⅝	8½	8⅝	+⅛
MatSci		22	30	23¾	23⅜	23⅜	−¼
Matrix		13	206	8⅛	7⅞	7⅞	−⅛
Media	.34	62	206	41⅜	40	41⅜	+⅝
Mdcore		14	98	4⅜	4⅛	4¼	+⅛
Mem	.60	19	9	17⅝	17½	17⅝	⅛
MichSr		15	306	6	5¾	5⅞	−⅛
MichlE	.24	80	133	15⅛	14⅜	14⅜	−⅞
N N							
NVRyns .41l		9	278	6⅞	6⅝	6¾	−⅛
PresdA	.10		106	7⅞	7⅞	7⅞	+⅛
PrcCms			892	12⅜	11⅞	12⅜	+½
R R							
RBW	.10	100	15	7	7	7	+⅛
Ragan	.12	129	10	18½	18⅛	18⅛	−⅝
Ransbg	.39j		163	12⅞	12⅝	12⅝	−⅛
Resrt A		13	46	60⅝	50⅜	50⅜	−½
Resrt B		33	21500	127¼	127¼	127¼	
RstAsB		16	20	17½	17½	17½	
RstAsA	.30e	18	37	17½	17½	17½	
Rogers	.12	32	32	27⅜	27	27⅛	−⅜
Rudick	.32a	13	17	19½	19⅜	19⅜	−¼
S S							
SJW	1.68	11	4	34	34	34	
Sage			7	9⅝	9⅝	9⅝	+⅛
StJoeGn	.05e	67	376	15⅝	15⅜	15⅝	+⅜
Salem		6	26	6⅜	6¼	6¼	
ScandF			39	9⅝	9½	9½	−⅛
Scheib	.36	17	12	17⅛	16⅞	16⅞	−⅛
SbdCp	.50	5	17	101	99⅞	99⅞	−⅝
SecCap	.05j		43	4½	4⅜	4⅜	−⅛
SilkesAs	.16	15	151	13	12⅝	12¾	−⅛
Solitron		16	109	9⅜	9⅛	9⅛	⅜
StHavn			10	4⅝	4½	4½	¼
Stanwd		17	39	10½	10¼	10⅜	−⅜
SterlEl		67	40	2	1⅞	2	
SterlSft		14	5166	9⅜	d 8⅛	8½	+⅜
StrutW			5	1⅜	1⅜	1⅜	
Synaloy			105	5½	5	5½	+⅛
T T							
TIE			506	5	4¾	4¾	−⅛
TII		8	39	5⅛	5	5	−⅜
TabPrd	.20	17	11	17⅝	17½	17⅝	−¼
TandBs		35	87	11¼	10⅞	10⅞	−¼
TchAm			21	3¾	3¾	3¾	
TechTp		20	623	u 8⅝	8½	8⅝	+⅛
Telsci			5	1¾	1¾	1¾	−⅛
Telesph			1458	6½	6⅛	6⅜	+¼
TmplEn			430	10⅜	10	10⅛	¼
TexAir		17	2460	23⅜	22¼	22½	+⅛
TollPtg	.40		141	19⅜	19	19	−⅜
TriSM		20	9	18⅛	17⅞	17⅞	⅜
TubMex		13	312	10⅜	9¾	9¾	−½
U U							
Ultra	.08e		23	9¼	9⅛	9⅛	
UnValy		8	3	8¾	8⅝	8⅝	−¼

OVER-THE-COUNTER

Nasdaq national market, closing prices

Continued on Page 47

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Selling continues as dollar's fall deepens gloom

WALL STREET

HEAVY SELLING continued unabated on Wall Street yesterday, dealing a further blow to stock prices, *writes Roderick Oram in New York.*

Rising interest rates, prompted by a downturn in the dollar, reinforced investors' views that stocks were unable to build a base for a rally.

At the close the Dow Jones industrial average was down 34.44 points at 2,516.64. Modest losses in the morning accelerated after the bond market retreated. At its worst the Dow was off nearly 55 points.

Among blue chips, IBM fell $1¼ to $151½, AT&T lost $⅝ to $32⅝, General Motors lost $2 to $76¼, General Electric gave up $1⅛ to $60¼, Exxon slipped $⅛ to $47½ and Sears, Roebuck declined $1⅜ to $48⅝.

Broader market indices suffered comparable losses with the Standard & Poor's 500 losing 4.38 to 314.16 and the New York Stock Exchange composite shedding 2.23 to 176.32.

NYSE trading volume was heavy at 199.7m shares with the bearish tone helping declining issues outpacing those advancing by a ratio of three-to-one. But traders said institutional investors were not particularly active. The volume was inflated by trading programmes linked to index futures.

Confidence in the longer-term outlook for equities was expressed by Salomon Brothers' asset allocation committee yesterday. It expects the global bull market to recover from recent corrections and predicts a rally which would run into next year.

In the US it expects the Standard & Poor's 500 index to reach the 345 to 360 range in coming months from around 316 yesterday. It advised investors to increase their holdings of US, European and Japanese equities and to lighten up on US cash holdings because of "the re-emergence of investment opportunities in equities combined with the attractiveness of non-dollar fixed income securities."

Among US equity sectors, Salomon recommended investors overweight their portfolios in capital spending stocks, hold market weightings of consumer staple and financial service companies and underweightings in basic industries, consumer cyclical, natural resources and utilities.

At present, though, the selling pressure on stocks shows no sign of letting up, even for companies with positive news or results. Ford Motor fell $1⅛ to $94¼ after raising its quarterly dividend from 75 cents a share to $1 and splitting its stock two-for-one.

Among companies reporting higher earnings, Abbott Laboratories fell $1 to $57¼ and Rubbermaid slipped $¼ to $30.

Harcourt Brace Jovanovich edged up $⅛ to $9⅝. The publisher announced a major asset sale in the wake of the costly recapitalisation it had used to thwart a hostile takeover bid from Mr Robert Maxwell, the British publishing magnate.

Alexander's slumped $1⅞ to $54½ after chances lessened for a bidding war for the New York retailer. Mr Donald Trump, the New York real estate developer, and Interstate Properties agreed neither would buy or sell Alexander's shares without the other's approval.

Cummins Engine fell $2¼ to $78 after falling $2 on Wednesday. It said it might report a third-quarter loss.

Credit markets improved slightly during the morning after the Japanese bond market rallied for a second day. US bond prices rose about ¼ of a point before the trend was reversed later under the influence of a deteriorating dollar and next to no retail interest for the seven-year notes the Treasury auctioned on Wednesday. Dealers expressed relief it was the last major government financing operation until the end of the month.

By late afternoon the 8.75 per cent Treasury long bond was off [illegible] of a point at 90[illegible] yielding 9.86 per cent, its highest level in almost two years. Salomon forecast yesterday that the yield would rise by mid-1988 to 10.5 per cent and the dollar fall to Y135 by the end of this year against Y144.40 late yesterday.

CANADA

WEAKER mining, oil and gold stocks led Toronto share prices lower in moderately active trade.

Noranda slipped C$⅛ to C$34⅝ among mines, while Inco dropped C$⅛ to C$30 and Alcan Aluminium fell C$¾ to C$46. In energy issues, Texaco Canada gave up C$⅞ to C$34 and Shell Canada lost C$⅛ to C$45⅜.

Hemlo Gold was off C$¼ at C$24½ and Echo Bay down C$⅛ at C$34⅜. Banks were mixed after announcing a ½ point rise in prime rates to 10½ per cent effective from today.

Montreal fell, but Vancouver rose slightly.

SOUTH AFRICA

INVESTORS cashed in profits on Wednesday's gains to leave Johannesburg gold shares easier in the absence of strong market leads.

Leading gold Vaal Reefs suffered a R6 fall to R444 and Kinross gave up R2.50 to R75. Venters was a rare gainer among golds, picking up 75 cents to R64.25.

Mining financials were broadly higher, however, with Gencor 75 cents stronger at R76.25. In platinums, Impala added 75 cents to R55.75. Keeley Group was 80 cents up at R7.90 among other minings, but Rhombus gave up 80 cents of recent gains to R8.

Industrials closed mixed.

Richard Gourlay on a market which has wavered with the fortunes of Mrs Aquino's Government

Manila: a political punt for the strong at heart

SINCE Col Gregorio Honasan just failed to topple President Corazon Aquino in a coup on August 28, Manila's two lively stock exchanges have closely reflected the political mood. In less than two months the previous heady bull market has lost half its value and is now pushed and pulled by the ebb and flow of political jitters in Manila.

Foreign investors who helped make the Philippines one of Asia's star stock markets earlier this year, are nowhere to be seen, many brokers say. "In the small markets, Thailand is flavour of the month, followed by Hong Kong and Singapore," says Mr Loloy Delor of brokers Barcelon Roxas.

But the same brokers say the worst may now be over – though they are perhaps displaying the occupational optimism that gets them out of bed in a bear market. They say investors have discounted – or are getting used to – the almost daily string of rumours and reports of further coup attempts and communist guerrilla attacks.

"Things seem to be more or less under control (politically)," said Mrs Vireinia Yeptinchay a member of the Manila exchange's board on one of the four days last week when the market rose. "There are growing pains because of the transition from dictatorship to democracy."

However, on Monday this week when the market eased off, Mr Rolando Artienza, president of Anscor Haggerdorn, the largest brokers in Manila, said the market was still uncertain whether Mrs Aquino was really patching her administration together and controlling the rebellious military.

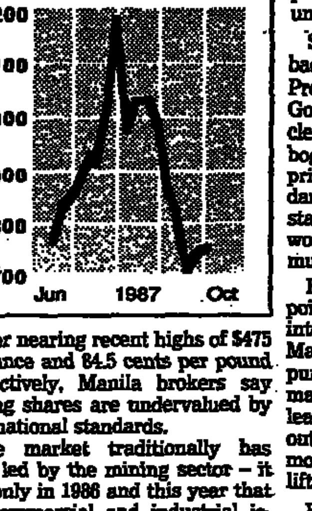
The market is so dominated by events that Manila's famous taxi driver political analysts are probably as well qualified to give investors advice as any broker with his charts and knowledge of fundamentals.

From a peak on July 21 of 1,337, Manila composite index fell to 694 in mid-September as Mrs Aquino was rumoured to be sacking her army chief of staff and keeping her controversial aide and executive secretary who was perceived by many military men as being 'leftist'. Her army chief, General Fidel Ramos is still there and the executive secretary, Mr Joker Arroyo, has gone. A combination of political problems ranging from a successful general strike and a badly handled but necessary oil price hike had weakened the market before the coup.

Since then the index has risen to yesterday's close of 739 after bursts of strong buying followed by thin profit-taking. "The market does not have the same spirit as several months ago," said Mr Artienza. "The hysteria has gone now, it is a period of consolidation."

Trading volumes on the two markets – they list identical stocks, though the Manila exchange trades more than Makati – are about a third of the $15m traded at July's peak.

Brokers base their optimism that the market's consolidation will end by mid-October on continuing strong copper and gold prices – and an assumption that the political muddle calms down. With gold and



copper nearing recent highs of $475 an ounce and 84.5 cents per pound respectively, Manila brokers say mining shares are undervalued by international standards.

The market traditionally has been led by the mining sector – it was only in 1986 and this year that the commercial and industrial issues has accounted for more than half the traded value. But two of the key commercial issues – the beer based conglomerate, San Miguel, and Philippine Long Distance Telephone (PLDT) – are both currently under a cloud.

San Miguel's long battle to buy back shares sequestered by the Presidential Commission on Good Government appears to have cleared all legal obstacles, but is bogged down in negotiations over price. Interest in PLDT has been dampened by repeated Government statements that more competition would be welcomed in the telecommunications sector.

However, as much as analysts point to fundamentals and relative international price/earnings ratios, Manila's markets remain a political punt for the strong at heart. Thin markets in many issues sometimes leave investors scrambling to get out of or into a position as prices move with the speed of an express lift.

For example, Surigao Consolidated, a thinly traded mining stock, having hit a high of 26 cents in July crashed to 13 cents in September before the declaration of a 100 per cent stock dividend lifted it again to 22 cents. In the oils sector, Oriental Petroleum collapsed from a July high of 14 cents to a low of 6.25 cents before rising to over 9 cents on hopes that the Tara well will produce exploitable reserves.

The see-sawing is not the preserve of thinly traded shares. Lepanto Consolidated Mining hit a high of 70 cents, fell to a low of 30 cents and bounced back last week to 46 cents. Even San Miguel, the deepest blue of the blue-chip Philippine companies was not spared, with its internationally traded 'A' shares hitting a high of 153 pesos before collapsing to 96 cents in September.

For many players, politics has simply stolen their appetites. Brokers say influential Filipino Chinese investors have retreated into dollars – the black market rate has risen, though not alarmingly so – or into Christmas inventory. Christmas and the annual consumer splurge is, after all, a safer bet.

Oslo brokers worry tax proposals would drain market funds

BY KAREN FOSSLI IN OSLO

TAX MEASURES contained in the proposed budget tabled this week by Norway's minority Labour Government have caused consternation among the big players on the Oslo stock market and have even prompted some to consider forsaking their domestic market for dealing in London.

The proposed 1988 budget includes a 1 per cent share turnover tax, to be split equally between buyers and sellers, from which it intends to raise NKr300m ($45m) for state coffers. The Government also proposes levying a 10 per cent tax on commissions earned by brokerage houses. Neither proposal has pleased Oslo's brokers.

"It's the client who will have to pay if the budget measures concerning the stockmarket are passed," says Mr Lars Eilertsen of brokers Carl Kierulf.

Mr Peter Warren, who heads the Moorgate brokerage, says the turnover tax will drain market liquidity, since it will most affect short-term investors. "It's the short-term trader who provides the market liquidity because he's trading in and out all of the time. It's that trader who will be punished by this tax in that he will have to gain a larger profit before he can sell. In other words his risk will increase and this will directly translate into less trading on his part."

Mr Warren says the proposed tax's deterrent effect on short-term investors may spill over to deter Norwegian companies from entering the market to raise new capital. "The short-term trader is essential to Norwegian industry to be able to price itself at a level high enough to approach the money market."

The bull run on the Oslo bourse has continued since January with only three corrections; two in August, one sharp correction in September, and one on Wednesday when the all-share index fell 8.5 points to 429.59 following Wall Street's record single session fall and uncertainty over the domestic budget.

In June the Storting (parliament) spurned Labour's proposal to introduce a 2 per cent share turnover tax and Oslo's market players are again looking for support from Norway's Conservative and centre parties to throw out the new tax proposals. It is not yet clear, however, whether such support will be forthcoming.

According to Mr Jan Petter Collier of Sunndahl, Collier and Montagu: "This year's budget will require a lot of political compromises, but if the Conservatives expect to do something big in the coming national elections they will have to unite to block this turnover tax."

The proposed commissions tax also worries Oslo's major brokers. Mr Collier fears it could lead to more trading taking place outside Norway and to foreign brokers gaining an advantage over domestic counterparts. "I think that it is wrong to put an extra tax on an industry with a growth potential like ours," he says. Such concern has led the bigger brokers to ponder setting up shop in London, where they would be unhindered by the proposed tax.

Norway's 1988 budget will be closely scrutinised in October and will be debated in the Storting in early November.

"Unfortunately, the positive sides of the budget – the potential for lower interest rates and lower inflation – have already been discounted," says one broker. "The market has known of that potential for months, so it's no big news. The budget merely stated what everyone already believed."

ASIA

Nikkei bounces back with a record

TOKYO

WALL STREET'S rally following its record one-day plunge spurred buying in Tokyo yesterday and the Nikkei stock average surged to a record, *writes Shigwo Nishiwaki of Jiji Press.*

The market indicator soared 334.48 to a high of 26,286.75, topping the previous record of 26,118.42 posted on September 1. Turnover rose to 1,671.82m shares, sharply up from Wednesday's 1,100.94m. Gains outnumbered losers 600 to 344, with 109 issues unchanged.

Wall Street's rally towards Wednesday's close reversed the bearish mood and prompted dealers of leading securities houses to buy, with individual investors following suit.

TAIWAN stock prices fell sharply in busy trade yesterday in what brokers described as a technical correction, Reuter reports from Taipei. The weighted market index fell 124.19 to 4,108.39 in turnover of T$28.30bn, compared with T$28.08bn on Tuesday. The market was closed on Wednesday for a holiday.

Banking, electrical appliance, machinery and car shares were the main losers, while construction and cement shares advanced against the market.

Institutional investors, excluding investment trusts, were less active.

Stock prices have been moving around the 26,000 level for the past nine sessions. Brokerage houses grew more confident of the future course of the market as prices rose, helping to alleviate fears of an interest rate increase and easing concern after Tuesday's sharpest-ever plunge on Wall Street.

Large-capital issues attracted buyers. Nippon Steel headed the active list with 402.22m shares traded and advanced Y17 to Y442, while Mitsubishi Heavy Industries, second most active with 120.77m, spurted Y40 to Y705 as both prices posted new highs. Sumitomo Metal Industries closed Y18 higher at Y333 and Kawasaki Steel added Y18 to Y337.

Among heavy electricals, Hitachi hit a record of Y1,590, up Y40, on the fourth largest trading of 72.30m shares. Toshiba and Mitsubishi Electric advanced Y24 to Y832 and Y22 to Y710 respectively.

High-tech stocks, particularly those related to Nippon Telegraph and Telephone (NTT), registered good gains. NEC added Y30 to Y2,610 and Fujitsu was up Y50 at Y1,590 while Canon climbed Y70 to Y1,410 and Matsushita Electric Industrial rose Y50 to Y2,850.

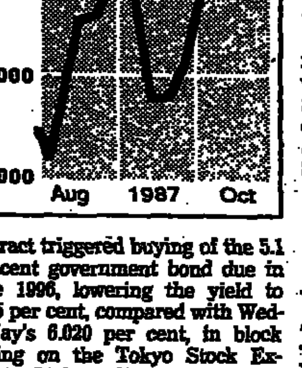
Cars remained popular, with Toyota Motor moving up Y100 to Y2,450 and Honda Motor adding Y60 to Y1,840. Nissan Motor gained Y14 to Y855.

Among contractors, Ohbayashi, Shimizu Construction and Kajima rose Y30 each to Y1,090, Y1,080 and Y1,840 respectively. Sato Kogyo was 17 higher at Y845 and Okumura rose Y20 to Y1,080.

Buying spilled over into financials. Sumitomo Bank posted a Y200 gain to Y3,850 and Nomura Securities soared Y150 to Y4,520. Utilities also firmed, with Tokyo Electric Power closing Y270 higher at Y6,470 and Tokyo Gas Y41 up at Y1,040.

Short covering pushed bond prices up sharply. The futures market, where weakness had been dampening the cash market, recovered, but institutional investors were sidelined and most of the trading was speculative.

A major gain of the December



contract triggered buying of the 5.1 per cent government bond due in June 1996, lowering the yield to 5.855 per cent, compared with Wednesday's 6.020 per cent, in block trading on the Tokyo Stock Exchange. In inter-dealer trading later, the yield declined, slipping below 5.800 per cent.

The Osaka Securities Exchange rallied, with buying centring on large-capital steels and shipbuildings. The OSE stock average rose 239.60 to a record 26,912.29, on transactions totalling 245.93m shares, up 93.01m on the previous day.

Morita Fire Pump continued to attract speculator interest, chalking up its fourth maximum daily rise of Y200 to Y1,260. Daifuku advanced Y100 to Y1,200, but Rohm fell Y100 to Y6,400.

SINGAPORE

WAVERING between bouts of profit-taking and bargain-hunting, Singapore share prices closed narrowly mixed in quiet trade. The Straits Times industrial index edged 2.90 higher to 1,451.95. Turnover, down to 15.1m shares from 20.3m on Wednesday, was slack with Hong Kong investors on holiday.

Newly listed Singmarine Industries topped the actives with 2.9m shares traded and closed at S$1.99 from an offer price of S$1.30.

Among blue chips, Sime Darby fell 2 cents to S$3.78 in heavy trade, while UOB was unchanged at S$7.90. Fraser and Neave added 10 cents to S$13.00, Genting 5 cents to S$7.50 and Inchcape 20 cents to S$7.65.

Fallers included DBS, off 10 cents at S$17.50, and Haw Par, which gave up 10 cents to S$6.90. Shangri-La dipped 5 cents to S$6.40.

AUSTRALIA

BARGAIN-HUNTING in the wake of Wednesday's sharp fall helped underpin a modest but broad revival in Sydney share prices. The All ordinaries index added 6.8 to 2,223.2.

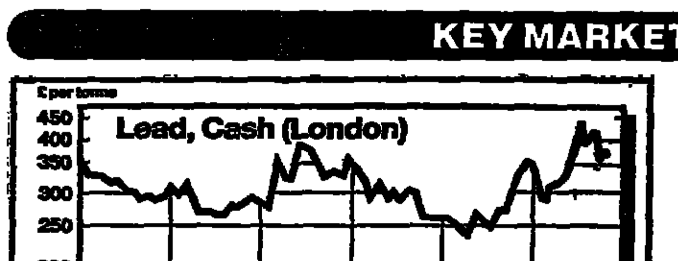
The market was also buoyed by the strong debut from property group Mirvac which rose from an issue price of A$1 to A$1.54 in turnover of 10m shares.

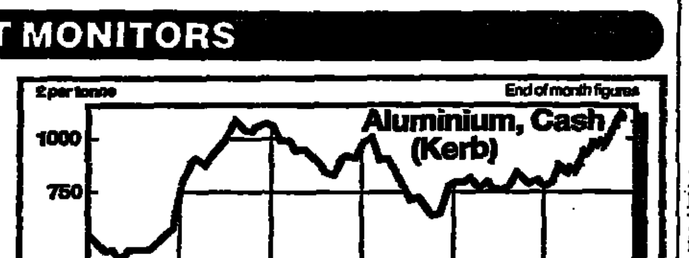
Banks made good ground, with ANZ adding 8 cents to A$5.44, National Australia Bank 6 cents to A$6.04 and Westpac 10 cents to A$7.

Golds were mixed to firmer, seeing Renison rise 30 cents to A$15.30. In resources, BHP fell a further 10 cents to A$10.25 and CSR gave up 2 cents to A$4.68. Bell Resources added 6 cents to A$5.20 after announcing in London a package of convertible bonds to raise about A$1bn.

Hong Kong was closed for a holiday

KEY MARKET MONITORS





STOCK MARKET INDICES

NEW YORK	Oct 8	Prev	Year ago
DJ Industrials	2,516.65	2,551.08	1,803.85
DJ Transport	1,038.46	1,044.92	828.13
DJ Utilities	197.61	198.61	198.81
S&P Comp.	314.17	318.54	236.68
LONDON FT			
Ord	1,866.9	1,853.5	1,268.1
SE 100	2,375.5	2,359.8	1,567.8
A All-share	1,216.65	1,210.10	791.09
A 500	1,331.38	1,323.57	867.71
Gold mines	445.8	450.4	332.1
A Long gilt	9.96	9.94	10.49
World Act. Ind (Oct 7)	136.25	136.28	96.71
TOKYO			
Nikkei	26,286.75	25,952.27	17,514.8
Tokyo SE	2,154.37	2,121.29	1,499.61
AUSTRALIA			
All Ord.	2,223.2	2,217.3	1,332.6
Metals & Mins.	1,363.9	1,358.2	716.9
AUSTRIA			
Credit Aktien	230.03	229.56	233.98
BELGIAN SE			
SE	5,062.10	5,083.60	3,852.24
CANADA			
Toronto			
Met & Mins.	1,996.21	3,407.8	2,166.0
Composite	3,806.3	3,838.40	3,041.8
Montreal			
Portfolio	1,875.77	1,895.13	1,536.02
DENMARK SE			
SE	—	211.17	182.38
FRANCE			
CAC Gen	407.10	405.20	387.0
Ind. Tendance	106.00	105.70	94.06
WEST GERMANY			
FAZ-Aktien	644.94	642.80	676.95
Commerzbank	1,980.00	1,972.60	2,025.0
HONG KONG Hang Seng	(c)	3,938.13	2,204.41
ITALY Banca Comm.	657.90	654.99	739.45
NETHERLANDS ANP CBS			
Gen	(–)	307.70	281.6
Ind	(–)	257.50	281.7
NORWAY Oslo SE	578.03	571.70	370.68
SINGAPORE Straits Times	1,451.90	1,449.00	845.24
SOUTH AFRICA JSE			
Golds	–	2,300.0	2,022.0
Industrials	–	2,243.0	1,385.0
SPAIN Madrid SE	(–)	324.11	200.79
SWEDEN J & P	3,287.10	3,253.3	2,356.55
SWITZERLAND Swiss Bank Ind	724.70	727.10	583.0

COMMODITIES (London)

	Oct 8	Prev
Silver (spot fixing)	465.90p	466.95p
Copper (cash)	£1,157.50	£1,169.50
Coffee (Jan)	£1,412.00	£1,395.00
Oil (Brent Blend)	$18.85	$18.60

GOLD ($/oz)

	Oct 8	Prev
London	$458.60	$457.50
Zürich	$458.50	$458.35
Paris (fixing)	$460.84	$459.27
Luxembourg	$458.25	$458.75
New York (Dec)	$466.50	$463.40

CURRENCIES (London)

	US DOLLAR Oct 8	US DOLLAR Previous	STERLING Oct 8	STERLING Previous
$	–	–	1.6425	1.6410
DM	1.8225	1.8260	2.9925	2.9975
Yen	144.90	145.60	238	239
FFr	6.0675	6.0775	9.965	9.9725
SFr	1.5185	1.5235	2.495	2.50
Fl	2.05125	2.0545	3.37	3.3725
Lira	1,315	1,317.5	2,160	2,162
BFr	37.85	37.95	62.15	62.25
C$	1.3040	1.3050	2.1435	2.1430

INTEREST RATES

Euro-currencies (3-month offered rate)	Oct 8	Prev
£	10¼	10[illegible]
SFr	4⅝	4¾
DM	4¾	4⅝
FFr	8½	8[illegible]
FT London Interbank fixing (offered rate)		
3-month US$	8[illegible]	8[illegible]
6-month US$	8¾	8¾
US Fed Funds	7[illegible]*	7¼
US 3-month CDs	8.10*	8.375
US 3-month T-bills	7.155*	6.76

FINANCIAL FUTURES

Oct 8	Latest	High	Low	Prev
CHICAGO				
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	81-00	81-24	80-22	81-19
US Treasury Bills (IMM) $1m points of 100%				
Dec	92.40	92.59	92.37	92.58
Certificates of Deposit (IMM) $1m points of 100%				
Dec	—	—	—	—
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	91.06	91.17	91.05	91.27
20-year Notional Gilt £50,000 32nds of 100%				
Dec	114-11	114-25	114-08	114-30

US BONDS

Treasury

	October 8 Price	October 8 Yield	Prev Price	Prev Yield
8½ 1989	99[illegible]	8.902	99[illegible]	8.708
7 1994	98[illegible]	9.725	92[illegible]	9.551
8⅞ 1997	92[illegible]	9.848	93[illegible]	9.89
8¾ 2017	90[illegible]	9.859	91[illegible]	9.746

Source: Harris Trust Savings Bank

Treasury Index October 8

Maturity (years)	Return Index	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1–3	144.03	+0.07	6.37	−0.03
3–5	157.57	+0.17	6.71	−0.03
15–30	193.56	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

	October 8 Price	October 8 Yield	Prev Price	Prev Yield
AT & T 3⅞ July 1990	96.75	7.27	96.75	7.27
SCBT South Central 10⅜ Jan 1993	101.25	10.56	101.25	10.56
Phibro Sal 8 April 1996	86.06	10.52	86.06	10.52
TRW 8⅞ March 1996	91.31	10.32	91.31	10.32
Arco 9⅞ March 2016	93.0	10.65	93.0	10.65
General Motors 8⅝ April 2016	77.16	10.70	77.16	10.70
Citicorp 9⅞ March 2016	84.42	11.20	84.42	11.20

Source: Salomon Brothers

* Latest available figures

EUROPE

Becalmed buyers await new leads

MAJOR BOURSES continued to look towards Wall Street for their lead and gained little cheer. Trading was generally quiet as markets waited for fresh incentives. Scandinavian shares continued to go their own way, setting more records.

Frankfurt held steady with narrow price changes in an uneventful session. The Commerzbank index rose 7.4 in lacklustre trading.

A DM600m issue by the printing machinery group Linotype was up for subscription and was already heavily oversubscribed.

New issues have been drawing strong investor interest because of the virtually certain price gain.

Allianz said it would be making a DM540m offering on October 15.

In cars, Daimler-Benz fell DM9 to DM1,052.00 but BMW gained DM2.50 to DM734, while VW eased 50 pfg to DM371.

Among banks, Deutsche gained DM1.50 to DM695.50 while Commerzbank and Dresdner both rose 50 pfg to DM302 and DM362 respectively.

Siemens recovered some lost ground, adding DM2.50 to DM656.50 and AEG put on DM3.30 to DM322.

Public authority bonds were narrowly mixed as fears over global interest rates persisted. The Bundesbank bought DM9.3m worth of paper after buying DM44.3m on Wednesday.

Zurich turned mixed after a higher start to the day. A lower Wall Street and a weaker dollar undermined the good start. The Crédit Suisse index gained 1.2 to 642.1 in moderate trading.

In industrials, Brown Boveri built on its recent good gains, rising SFr100 to SFr3,280. Oerlikon-Buehrle added SFr60 to SFr1,690 in active trading.

Among financials, Adia rose SFr75 to SFr13,275, Ascom edged up SFr25 to SFr9,050 and Surveillance rose marginally, up SFr10 at SFr7,200.

Amsterdam edged higher in thin trading as a weaker Wall Street eroded some modest early gains. The ANP-CBS index inched up 0.1 to 101.1.

Concern over global interest rates dampened activity and sent blue chips lower. Akzo was Fl 1.50 down at Fl 174.00, Unilever dropped 70 cents to Fl 136.80, Royal Dutch fell Fl 5.50 to Fl 263 and KLM slipped Fl 1.20 to Fl 52.90.

Banks and insurers were narrowly firmer.

Paris showed a slightly weaker bias at the end of a calm session. The CAC index, based on opening prices of 244 shares, slipped 5.7 to 405.2.

A steadier start in New York and a report by the Paris Chamber of Commerce forecasting a favorable economic environment in France in the second half cheered the market, but not enough to initiate a rally.

Thomson-CSF electronics group predicted a sharp increase in profits for 1987 after higher first-half results and saw its share price rise FFr13 to FFr1,283. Saint-Gobian added FFr1.50 to FFr500 following improved profits.

Brussels ended lower after a patch of late selling took several shares down in the last few minutes of trading. The Brussels stock index fell 21.47 to 5,062.16 as uncertainty over the political climate in Belgium encouraged investors to take profits.

In holdings Sofina fell BFr150 to BFr14,350 and Cobepa eased BFr60 to BFr6,230. But Réserve, the share of Société Générale de Belgique, ended BFr20 higher at BFr3,560 after posting a 4.4 per cent increase in earnings for the first half.

In chemicals, Gevaert rose BFr40 to BFr8,390, Solvay added BFr25 to BFr14,875 and UCB rose BFr125 to BFr10,325 following recent losses.

Stockholm continued unabated in its assault on records. The Veckans Affarer index rose to a seventh consecutive peak on heavy volume and fuelled by strength in Volvo and the forestry sector.

Volvo surged SKr11 to SKr430, posting a 7 per cent rise for October after a portfolio manager said the stock was undervalued.

In the forestry sector, Modo soared SKr35 to SKr540.

Blue chips were mixed with Electrolux up SKr1 at SKr330, Ericsson down SKr2 at SKr243 and Asea unchanged at SKr438.

Helsinki climbed to its third straight record with the Unitas all-share index up 21.1 at 666.3.

Keen interest in banks and industrials lifted the market as the market continued optimistic.

Oslo rose across the board after Wednesday's sharp plunge. Buyers returned in a bargain-hunting mood and lifted the all-share index 5.56 points to 435.15, despite continuing nervousness over the proposed 1988 budget.

Insurers gained ground in thin trading volume. Storebrand posted a NKr10 rise to NKr455.

Milan rallied after a weak opening to end higher after a day of erratic trading. The Milan Stock Index (MIB) gained 3 to 911 in patchy trading with most of the buying centred on major industrials.

Among blue chips, Fiat dropped L85 to L11,940 but rose sharply in post-close trading to L12,120. Montedison fell L40 to L2,309. Olivetti closed up L310 at L11,900.

Merchant bank Mediobanca continued its advance with a L9,000 gain to L263,000.

Madrid succumbed to a second day of profit-taking which took prices broadly lower. The general index eased 1.54 to 322.57, with falls led by steels and banks.

Against the trend, Catalana de Gas added 30 percentage points to 645 per cent of nominal market value and in constructions Asland rose 10 points to 1,275 per cent.

LONDON

OPTIMISM over the UK economy prompted by a confident speech by Mr Nigel Lawson, Chancellor of the Exchequer, helped London equities extend their gains. However, Wall Street's weak opening left prices off their highs.

The FT-SE 100 index closed 15.7 up at 2,375.5 and the FT Ordinary rose 13.4 at 1,866.9.

The overnight record in Tokyo added to market buoyancy and partially offset the effect of a rise in US banks' prime rates. Gilts, though, were hurt by a disappointing response to the auction of US Treasury issues and closed with net falls of about ¼. Details **Page 46.**